

# FINANCIAL TIMES



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World Business Newspaper <http://www.ft.com>

THURSDAY MARCH 13 1997

## Hoechst shares fall as it scraps drugs listing plan

Hoechst, the world's largest drugs and chemicals group, saw its shares fall by 10 per cent after revealing that it had abandoned plans to seek a separate stock market listing for its pharmaceuticals business. It also unveiled results for the fourth quarter of 1996 that were below the market's expectations. Page 17; Lex, Page 16; World stocks, Page 38

## Japanese group gets tough on corruption

The Keidanren, Japan's influential economic federation, promised a crackdown against corporate corruption and said companies found to have violated a charter of good corporate behaviour will be suspended. It was reacting to last week's admission by Nomura Securities, Japan's top stockbroker, that it had made "apparently irregular payments" to a property company run by the brother of an underworld figure. Page 6; Recent cases of Japanese corporate extortion may signal greater openness, Page 15

**Caution on Russian bond issues:** European bond traders expressed reservations about the timing of today's debut Russian D-mark bond issue which they say coincides with the rockiest period so far this year for emerging market debt. Page 17; Capital markets, Page 24

**US floods blamed on global warming:** The US storms and floods which have killed about 60 people and caused up to \$1bn in property damage over the past two weeks represent an increase in extreme weather events to be expected from global warming, a US climate scientist said. Page 16

**Treason charge for exiled Nigerian:** Nigeria has brought a charge of treason against exiled writer Wole Soyinka (left). His family said the charge, which carries the death penalty, came after the Nobel prize-winning author, who lives in New York, said he would sue Nigerian military leader Sani Abacha for calling him a terrorist. Abacha's regime executed the dissident playwright Ken Saro-Wiwa in 1996.

**Rumours strain US-China ties:** Allegations that Beijing attempted to funnel illegal campaign contributions to US political parties and candidates have added to a growing sense of unease in Washington over US-China policy. China's foreign ministry has called in the US chargé d'affaires to complain about "malicious fabrications" in the US press. Page 5

**Swiss Bank Corporation:** Switzerland's third-largest financial group, increased its operating income in 1996 by 21 per cent to SF10.75bn (\$7.3bn), helped by strong growth in fees, commissions and trading income, as the group took advantage of buoyant financial markets. Page 17; SEC embarrassment, Page 19; Results, Page 19

**Coke officials charged:** Two executives at Coca-Cola's largest bottler in Atlanta, Georgia, were indicted on charges that they tried to undermine a union organising effort by bribing an employee with \$10,000 and a job promotion to influence co-workers. James Wardlaw, a former regional vice-president and general manager, and Eric Turpin, former vice-president of human resources, were on leave pending a trial.

**US target of Zaire protest:** Zairian protesters burned the US flag at a demonstration in Kinshasa and demanded the expulsion of US ambassador Daniel Simpson. The US has been accused of supporting the Alliance of Democratic Forces for the Liberation of Congo-Zaire, which has been advancing against the army of president Mobutu Sese Seko.

**Black Sea fish war:** Russian coast guard ships fired on Turkish vessels fishing illegally near Georgia's Black Sea coast, killing one man. Eight ships were chased and one held. Page 4

**NATO warships from the Mediterranean:** NATO warships will pay an unofficial visit to Ukraine's Black Sea port of Odessa this month. The seven ships are from Britain, Germany, Greece, Italy, Netherlands, Turkey and the US.

**FT.com:** the FT web site provides online news, comment and analysis at <http://www.ft.com>

**STOCK MARKET INDICES**

New York: Dow Jones Ind. Av.	7077.85	(-7.31)
NASDAQ Composite	1308.92	(-7.54)
London: FTSE 100	2641.70	(-44.45)
DAX	3415.40	(-45.19)
Frankfurt: DAX	4422.5	(-21.8)
Nikkei	18,183.27	(-84.45)

**US LUNCHTIME RATES**

Federal Funds	5.5%
3-mth T-bill	5.18%
10-y T-bill	5.27%
Yield	6.55%

**OTHER RATES**

3-mth Libor	5.5%
6-mth Libor	5.5%
12-mth Libor	5.5%
3-mth Euribor	5.5%
6-mth Euribor	5.5%
12-mth Euribor	5.5%

**NORTH SEA OIL (Argus)**

Brent Crude	\$18.06	(18.53)
WTI Crude	\$18.06	(18.53)

**STERLING**

£/\$	1.6052
£/¥	170.14
£/DM	1.7056
£/A\$	0.7498
£/HK\$	7.7911
£/NZ\$	1.4747
£/S\$	1.2283
£/T\$	1.2283

Waigel is reassured over independence of European central bank

## Bonn backs stability council

By David Buchan in Lyons

Germany yesterday finally gave qualified endorsement to the French idea of a ministerial "stability council" to co-ordinate economic policy within the planned European monetary union.

At a meeting yesterday with their French counterparts in Lyons, Mr Theo Waigel, German finance minister, and Mr Hans Tietmeyer, Bundesbank president, accepted assurances from Mr Jean Arthuis, France's finance minister, that the stability council would not encroach on the European central bank's independent right to set monetary policy.

Both countries also reaffirmed their determination to meet the criteria for joining the Euro and stick to the timetable for introducing a European single currency in January 1999.

France originally intended the stability council, composed of countries selected next year to participate in the Euro, partly as a counterweight to the ECB. Germany resisted, fearing such a council would menace the bank's independence. But France now seems to have defined the council in ways acceptable to the Germans.

"The stability council will be informal, and will in no way affect the European central bank's independence," said Mr Waigel, "and I am grateful to Mr Arthuis for underlining this."

Mr Tietmeyer expressed his gratitude to ministers for making clear that the stability council "will focus on economic policy," leaving monetary policy to the bank.

"The ministers gave an upbeat view of their economies, which they said would



French central bank governor Jean-Claude Trichet, left, with Theo Waigel, Jean Arthuis and Hans Tietmeyer yesterday

both attain 2.5 per cent growth this year - almost double last year's performance. This was in line with official forecasts in Bonn, although Mr Arthuis had previously said only that French growth would be 2.3 per cent "at a minimum".

Mr Arthuis said there was "no doubt about the two countries meeting the criteria and sticking to the timetable for the Euro".

Mr Waigel was slightly less dogmatic, pinning his hopes

for meeting the Euro criteria on growth-creating measures such as the tax changes which he said he would present in Bonn later this week and which would put German tax brackets at their lowest level since 1949.

The German finance minister drew a clear distinction between the stability council and his own stability pact proposal, approved at last December's Dublin summit of EU leaders, which sets out

financial penalties for breaching Euro disciplines. The former was purely informal and would not take binding decisions, Mr Waigel said, while the pact was part of EU legislation and could be governed by the European Court.

Mr Arthuis said France would like the choice of Euro participants to be left until after its parliamentary elections next March. Mr Waigel said it was natural for Germany to respect this desire.

Delay until at least April 1998 will in any case suit Germany, allowing more time for exact data on countries' 1997 economic performance to come in.

Both ministers called for coordinated action to prevent "unfair competition" between tax regimes of different states. Mr Waigel put his emphasis on wider international action while Mr Arthuis focused more on EU initiatives.

Observer, Page 15

## Hong Kong surplus well above expectations

By John Ridding in Hong Kong

Hong Kong yesterday displayed its wealth ahead of its return to China, announcing an unexpectedly large budget surplus which will lift fiscal reserves to about HK\$330bn (US\$42.6bn) by the July handover.

Mr Donald Tsang, financial secretary, said the budget surplus for the fiscal year to end March 1997 would be HK\$16.1bn, almost 10 times initial forecasts. He forecast further surpluses totalling more than HK\$90bn by 2001.

Mr Tsang announced a cautious budget for 1997-98, with a real spending increase of 6 per

cent and targeted tax concessions. This is in spite of the extent of the territory's wealth, which is further bolstered by foreign exchange reserves of \$66bn.

Some economists questioned the benefits of accumulating such large surpluses, although they pointed to the government's concern to maintain a war chest. "They want a financial cushion during the transition, partly to guard against any speculative attack against the Hong Kong dollar," said the chief economist at one European investment bank.

Mr Tsang, confirmed in his post last month, is charged with steering the economy

through the transition. He said his budget was designed to demonstrate continuity in economic management.

He said it maintained the administration's principle of limiting spending increases to economic growth rates. Continued economic success would depend on Hong Kong's economic autonomy, the maintenance of the rule of law and the free flow of information, he added.

China has pledged to maintain the territory's capitalist system for 50 years and to leave untouched its fiscal reserves. Although Chinese officials were involved in the 1997-98 budget and have previ-

ously urged curbs on welfare spending, Mr Tsang insisted he did not face pressure during the drafting process.

The budget drew a mixed response from the business sector. Mr Rod Houn Lee, head of taxation at Price Waterhouse, welcomed the announcement that foreign

companies with branches in Hong Kong would be allowed to deduct withholding tax.

However, Mr Marshall Byres, chairman of tax services at Ernst & Young, said the budget was very conservative and he was concerned by Mr Tsang's justification for running a large surplus.

## Robinson ready to stand down as Irish president

By John Murray Brown in Dublin

Ireland is set for a presidential election in November, after Mrs Mary Robinson, the country's first woman head of state, announced yesterday that she would not seek a second seven-year term.

Her decision will fuel speculation that she intends to seek a high-profile post with the United Nations. But it could also herald a potentially divisive political campaign in a year when voters already face a general election.

The president, who is directly elected and has few powers, had hitherto been a largely ceremonial figure, but when elected in 1990 Mrs Robinson invested the job with real status.

She also raised Ireland's international profile both through her role as a liberal woman politician in a tradi-

tionally conservative country and her outspoken championing of third world and human rights issues.

Had she decided to stand again, it was assumed the main parties would not have put up candidates, avoiding the need for a presidential election.

In theory, the three main parties - Fianna Fail, Fine Gael and Labour, which backed Mrs Robinson seven years ago - could nominate candidates.

As the largest party, Fianna Fail should win the contest, but there is some confusion over who the party might choose. Mr Charles Haughey, the charismatic former Fianna Fail prime minister, would be a popular choice, but members of his family are linked with a political donations affair which has already seen the resignation of one Fine Gael minister.

Mr Albert Reynolds - forced

to stand down as prime minister in 1994 over his mishandling of a paedophile priest extradition case - would have strong support in the party, but he has already indicated he will contest his Dail seat in the general election.

Mrs Marie Geoghegan-Quinn, a former Fianna Fail justice minister, who announced she was leaving politics because of excessive media intrusion, is said to be ambitious for the job. A compromise from Fianna Fail might be Mr David Andrews, an uncontroversial former foreign affairs minister.

Mr John Hume, architect of the Northern Ireland peace process and leader of the moderate nationalist Social Democratic and Labour party, has also been mentioned as a possible candidate, although publicly he has ruled it out.

Symbol of liberalism, Page 3  
Mayhew bows out, Page 10

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## Insurance deal puts Marsh & McLennan back on top

By Christopher Adams, Insurance Correspondent

Marsh & McLennan, the international insurance broking and financial services group, has trumped its nearest rival Aon with the \$1.8bn (£1.1bn) acquisition of Johnson & Higgins of the US, ending 150 years of independence for one of the world's most famous but secretive broking partnerships.

The deal restores Marsh's position as the world's biggest insurance broker. It was shunted briefly into second place after the young and acquisitive Aon Group shook the industry with the \$1.23bn purchase of Alexander & Alexander announced in December.

Under the terms of the agreement, of which there were few details, Marsh & McLennan will pay one third of the price in cash and the rest in its own shares.

Johnson & Higgins declined to say who were its principal shareholders or by how much its senior executives would benefit.

The group said it had "for some time" been considering options to bolster its financial strength, thought to include a public offer and acquiring or merging with another broker.

Mr Ian Smith, chairman of Marsh & McLennan, expected the merger to generate annual cost savings of \$150m after completion "without a perceptible increase in expenses".

"We will surely see some duplication in back offices, in systems, in some corporate functions, and we will probably find some economies in real estate," said Mr Smith.

Both groups are well represented in the US, where Johnson & Higgins earned about half of its \$1.16bn revenue last year.

But the premium to income which Marsh has paid suggests that the group values the quality of Johnson's business.

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Top spot regained, Page 22

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## NEWS: EUROPE

Political infighting over economic reforms delays disbursement of \$3.1bn western aid

## Ukraine hit by debt headache

By Matthew Kaminski in Kiev

The bold package of economic reforms announced by the Ukrainian government this winter has become trapped by political infighting in Kiev, creating a debt headache for the government.

Launched on the back of a successful stabilisation of the country's currency, the proposed reductions in tax rates and a streamlining of onerous government regulations are stuck in parliament, along with the draft 1997 budget.

The delay prevents the disbursement of \$3.1bn in western aid, forcing the country to rely heavily on domestic borrowing and accumulate debt rapidly on world markets.

As economic uncertainty has grown, so have the political recriminations. Four ministers - including those for both economy and finance - were sacked a fortnight ago, at the initiative of Mr Pavlo Lazarenko, the prime minister. Two other ministers were sacked last month.

Now Mr Lazarenko's own job may be in doubt. President Leonid Kuchma, who appointed him nearly a year ago, blames the prime minister for the economic problems, including 3bn hryvnia (\$1.7bn) in wage arrears - including 5th hryvnia in the nuclear power industry, including the politically sensi-

tive Chernobyl plant.

As Mr Kuchma prepares to give his state of the union address tomorrow, his economic aide says more cabinet changes are imminent.

The prime minister, who last summer escaped injury when a bomb exploded near his motorcade, is under attack from many sides. The country's liberals criticise his management style.

Others allege that he rigged the wholesale gas market for the benefit of his companies - a charge he calls "groundless".

Mr Lazarenko knows prime ministers do not last long in Ukraine. Pointing to the caramel-coloured walls in his spacious office, he says: "My predecessor did the renovation. He only got to enjoy it a week."

In an interview, the former collective farm chief defends his reform record, adding that he expects - unlike his five predecessors since 1991 - to last more than a year in office. He dismisses warnings from economists that the slow pace of privatisation and related structural changes that hurt vested interests could bring an economic crisis similar to Bulgaria's. The "terrible Bulgarian lesson" will not be repeated in Ukraine, he says. "The government is very keen on structural reform."

On energy policy, Mr Lazarenko says the current gas distribution



Lazarenko: under attack from all sides

scheme solved Ukraine's chronic arrears problem with Gazprom, its Russian supplier. But he calls it "flawed" and promises "a transparent market by the second half of 1997".

He says the mass privatisation programme will end by July, and the government is preparing its second phase of state sell-offs, targeted at foreign investments. The proposed sale of AvtoZaz, the largest motor

company, will test whether Kiev will follow through on this promise.

"I want a real owner in every enterprise," he says. "Unfortunately there are no domestic owners who can turn these companies around. The only way out is to create attractive conditions for big western companies."

The first task, however, is the budget. After early reservations Mr Lazarenko firmly backs the tax cuts and draft budget. Presidential aides say Mr Kuchma will also put more pressure on parliament.

Mr Lazarenko pledges to back Mr Kuchma in next year's parliamentary election. But he adds coyly that, while being premier leaves him no time to create a political party, "if I would no longer be prime minister, then I would have more free time and think about something else."

Mr Lazarenko enjoys open support from Ukraine's largest company, United Energy Systems, and bankers from his home town, Dnipropetrovsk - whose moneyed elites helped bankroll Mr Kuchma's successful presidential bid in 1994. Analysts believe Mr Lazarenko could be better placed today to raise considerable funding for a new party or a presidential campaign from the same well. For that reason, Mr Kuchma may want to keep him on board.

## EBRD chief asked to stay on

By Kevin Done, East Europe Correspondent

Western governments have asked Mr Jacques de Larosière to take on a second four-year term as president of the European Bank for Reconstruction and Development.

The future top management of the EBRD has been thrown into uncertainty amid speculation about Mr de Larosière's future as well as the possible return to the private sector of Mr Ron Freeman, first vice-president at the bank.

Mr de Larosière, 67, a former managing director of the International Monetary Fund and governor of the Bank of France, said he had been asked by Mr Ruairi Quinn, Irish finance minister and chairman of the EBRD's board of governors, to remain at the bank when his first term expires in September.

The offer was "a touching manifestation of confidence from shareholders," said Mr de Larosière, but he was "not yet ready to give an answer." He refused to comment directly on suggestions that Mr Freeman, the 57-year-old former Salomon Brothers banker, was planning to leave the EBRD which he joined in 1991.

Mr de Larosière and Mr Freeman are credited with reviving the fortunes of the bank after its controversial start led to the premature resignation of its first president, Mr Jacques Attali, former chief adviser to the late French president François Mitterrand, in 1993. Mr Attali was criticised for his high-cost management style and heavy spending on the luxurious fitting out of its London headquarters.

Under Mr de Larosière the bank's total administrative expenses have been kept under tight control.

He said yesterday that the bank increased its operating profit before provisions last year by 17.4 per cent to Ecu97.3m (\$110.6m).

## EUROPEAN NEWS DIGEST

## Bonn to boost construction

The German cabinet will decide on Tuesday on measures triggering investments of DM25bn (\$15bn) to assist job creation in the country's stricken construction industry, Chancellor Helmut Kohl said yesterday.

Mr Kohl told business leaders in Munich the state-owned banks Kreditanstalt für Wiederaufbau and Deutsche Ausgleichsbank would initiate investments worth DM25bn. A further DM5bn would be generated by bringing forward infrastructure projects in areas such as transport and higher education, using various forms of private finance.

The chancellor said the government hoped for a positive impact on jobs from some of the investment this year. He gave no details and neither the finance nor the economics ministry in Bonn was able to elaborate ahead of next week's cabinet.

Germany's Federal Statistics Office said yesterday insolvencies in 1996 climbed 9.3 per cent to 31,471, a record for the fourth straight year. *Reuters, Wiesbaden*

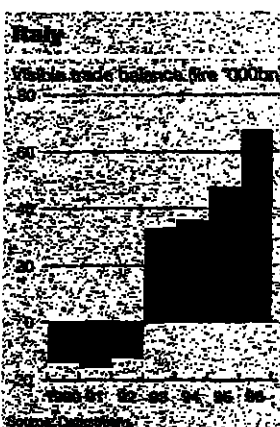
## Brussels to probe Gan cash

The European Commission yesterday announced it was opening an investigation into a capital injection of FF11bn (\$1.9bn) and a state guarantee worth FF5bn to Gan, the French state-owned insurance group - after a first tranche of aid worth FF2.8bn and approved by the Commission last year, was insufficient to return the company to viability.

French plans to help the country's textile industry stimulate job creation were illegal, the Commission said yesterday, but it delayed a formal decision for two weeks. The measures were expected to save the French textile industry FF2.1bn in salary-linked social security contributions. *Emma Tucker and Reuters, Brussels*

## ECONOMIC WATCH

## Italian trade surplus up



Italy's trade surplus in 1996 increased 48 per cent to a record 1,674,453bn (€40bn), a level considerably higher than expected. It was the fourth consecutive year since the 1992 devaluation of the lira that Italy had run a surplus.

The 1996 performance reflected a 4.9 per cent fall in imports as a result of depressed domestic demand, combined with a stronger lira that helped the money value of exports. In volume terms exports declined 1.3 per cent following the sluggish state

of such key markets as Germany. Italy's overall share of world trade dropped back from the 4 per cent high in the wake of the 1992 devaluation to 3.7 per cent.

The surplus with the EU stood at L19,429bn, against L14,157bn in 1995. *Robert Graham, Rome*

## Albania north-south rift deepens

By Guy Dinmore in Tirana

Albanian troops yesterday handed out weapons to anti-government protesters near the southern city of Elbasan, while loyalists collected weapons from a military academy in the capital Tirana, fuelling fears the Balkan country was heading towards all-out conflict between north and south.

As unrest moved closer to Tirana, Mr Bashkim Fino, the newly appointed prime minister from the opposition Socialist party, called on state television for dialogue with southern rebels who control a third of Albania. Mr Fino, 34, is a former mayor of the rebel-held town of Gjirokastra.

Rebel leaders who have formed a National Committee for Public Salvation renewed demands for the resignation of President Sali Berisha and a place at talks in Tirana.

They refused to hand in their weapons under an offer of general amnesty but said they did not intend to divide the country by force.

Soldiers at a barracks outside Elbasan, 56km south-east of Tirana, opened the gates to more than 100 anti-government protesters and allowed them to take weapons, including Kalashnikovs, from their arsenal.

In Tirana, police stood by and did not stop a crowd of men entering a military academy and collecting weapons, witnesses said. Residents said some north-erners had been recruited by the secret police.

The unrest, sparked by the collapse of pyramid schemes in which many people lost all their money, began in the wealthier south and has moved steadily northwards.

Talks continued yesterday on the government of national unity proposed by Mr Berisha to run the country until June's elections, but the already fragmented opposition showed further signs of division when the centrist Democratic Alliance said it was dropping out of talks because of the president's refusal to give the opposition the position of interior minister.

Mr Berisha has lost control over the army in the south but may be able to count on the loyalty of special police forces, many recruited from the north where he has his powerbase. Even this is not certain, however. "Another government, another president - it does not matter, we are all brothers," said one plain-clothes policeman, a north-erner in Tirana.

Diplomats fear Mr Berisha could lose control over the capital, especially if the largest pyramid fund, Vefa, goes under. At the moment, it is paying out small amounts of money to a few investors, keeping alive the hopes of others.

While Albanians waited angrily for their money, foreigners queued for aircraft tickets out of the country, heading advice by several European embassies to get out as soon as possible.

Yesterday Washington ordered 160 US government employees to leave Albania because of the worsening crisis. It urged the estimated 2,000 private Americans living there to leave the country.

## KPN: 1996 excellent year.

The net profit of Royal PTT Nederland NV (KPN) rose in 1996 by 9.1% to NLG 2,462 million. Sales increased by 10.6% to NLG 21,330 million. The group's operating income went up by 11.1% to NLG 4,373 million. Earnings per share rose to NLG 5.29.

The KPN Board of Management says the group achieved a satisfactory growth in profit and a record increase in sales.

The Board of Management intends to propose a dividend payment of NLG 2.85 in cash per ordinary share of NLG 10.- par value (compared with the NLG 2.60 paid out over 1995). After deduction of the interim dividend of NLG 1.00 per ordinary share already paid in 1996, the final dividend will be NLG 1.85 per ordinary share. Capital expenditure on acquisitions and property, plant and equipment rose by more than 78% compared with 1995 to NLG 8,724 million in 1996.

PTT Post had an excellent year, with sales of NLG 6,710 million (up by 10.4%). All parts of the company contributed to the growth. PTT Post has obtained a good position in the strategically important segment of in-night distribution in Europe partly through the takeover of logistics companies in Germany, Austria and Denmark. Operating income rose by

30.8% to NLG 943 million. PTT Post became one of the four global players for time-sensitive distribution and logistical services in 1996 when it took over the Australian transport company TNT. The takeover is expected to make a modest contribution to the results in 1997.

In millions of guilders	1995	1996	Growth
Total operating revenues	21,330	23,289	10.6%
Operating income	4,373	4,848	11.1%
Earnings	2,462	2,657	9.1%
Earnings per share	NLG 5.29	NLG 6.89	32.2%

The proposal for payment in the form of an optional dividend will be submitted for approval to the annual general meeting of shareholders on May 6, 1997.

PTT Telecom increased its sales by 9.3% to NLG 14,276 million, mainly due to a rise in national telephony and mobile telecommunications sales. Operating income rose by 8.7% to NLG 3,456 million. National telephony sales increased by 9.3% and sales of mobile telecommunications services went up by 36.4%. PTT Telecom introduced numerous new services in 1996, such as services for messaging, reminder calls, call waiting, the 'Zeeland' smart card, the 'Chipper'

electronic wallet, country cards, EasyConnect and EasySwitch. Prospects in 1997: KPN expects substantial growth in sales and a satisfactory growth in net income. KPN does not exclude the possibility of issuing further debt in the course of 1997.

The 1996 annual report will be published in the second half of

April 1997. The general meeting of shareholders will be held in Groningen, Netherlands on May 6, 1997. Copies of the 1996 KPN annual report are obtainable by filling in the coupon or by faxing +31-235 62 30 24. Copies are also available from April 15 at the office of ABN AMRO Hoare Govett, 4 Broadgate, London EC2M 7LE.

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Kremlin says president wants to go further, faster

## MPs attack reshuffle by Yeltsin

By Chrystia Freeland in Moscow

The Russian parliament yesterday lashed out at President Boris Yeltsin for putting reformers in charge of the cabinet. But a top Kremlin official said the Russian leader remained determined to move further and faster with bold economic reforms.

In a furious reaction to the return of Mr Anatoly Chubais, Russia's controversial market reformer, to the cabinet, the Communist-dominated legislature overwhelmingly endorsed a resolution condemning the Kremlin.

The statement accused the president of pursuing a "ruinous social-economic course which has brought Russia to the brink of catastrophe".

The legislature, which had reached an accommodation with the centrist cabinet led by Mr Victor Chernomyrdin, the premier, said the appointment of the radical Mr Chubais would lead to a worsening in relations between the parliament and the government.

But the protests of left-wing parliamentarians, who have excoriated Mr Chubais for spearheading Russia's mass privatisation programme, seemed likely to fall on deaf ears.

Mr Maxim Boyko, a presidential aide brought into the Kremlin when Mr Chubais became chief of staff last year, said the president was committed to a package of tough economic reforms.

Some analysts predict they could sideline the prime minister, as Mr Chubais becomes Russia's sole first deputy prime minister.

In an interview, Mr Boyko offered implicit support for that view, describing Mr Chernomyrdin as "weakened".

However, Mr Boyko insisted Mr Chubais and Mr Chernomyrdin enjoyed "a good working relationship" and said the cabinet was more united than ever.

Government unity and a renewed degree of presidential backing would launch a new wave of economic reforms, he added.

"I believe that Russia is now on the verge of a very significant step forward," Mr



Chernomyrdin yesterday: "weakened" by reshuffle

Boyko went on. "I think the hope here and the source of all this is the sense that Mr Yeltsin is starting now."

Mr Boyko said the Kremlin chief was now fully behind a painful series of reforms, including an increase in rents and streamlining of the military. "His approach is very much to go further and further and further. In fact he is telling us: give me more concrete proposals. I want to go faster. That is the kind of signal we are getting from him."

The aide, who has worked closely with Mr Chubais since the beginning of market reforms, said one change would be an attempt to

strengthen local governments at the municipal and village level by broadening their tax base. Such a shift would give the Kremlin a useful counterweight against the growing power of Russia's increasingly independent regional governors.

Implementation of the measures is not expected to begin until the make-up of a reshuffled cabinet has been announced later this week.

Mr Yeltsin appointed his son-in-law acting director of the national Aeroflot carrier yesterday, a news agency said. AP reports from Moscow. Mr Valery Okulov was previously first deputy to the outgoing director, Mr Yevgeny Shaposhnikov.

## Bulgaria hopes for IMF deal

By Theodor Troev and Anthony Robinson

Bulgaria's caretaker government hopes to reach agreement with the International Monetary Fund on a new standby loan shortly, possibly by next week.

But senior IMF officials in Sofia have underlined that any deal done before the April 19 elections would depend on assurances that the winner would abide by the terms.

"I am encouraged that we shall reach an agreement with Bulgaria soon, but it will not be possible to release the first tranche before the elections," Mr Michael Deppler, director of the IMF's First European Department, said after talks with President Petar Stoyanov yesterday.

"Some differences still have to be cleared up. The Fund would like Bulgaria to join other central European states and achieve economic growth and a low level of inflation. But I have to be convinced that the policies accepted by the caretaker government will win wide support and will also be followed by the next government."

Last year, Mr Deppler advised Bulgaria to switch to a currency board system to stabilise the economy after the Fund in effect cancelled a \$60m three-year standby loan agreement in October, only three months after the

deal was signed. The former Socialist government was unable to comply with the terms against the background of a collapse in the largely unreformed banking sector.

The new standby loan is expected to be larger than the cancelled facility. The first tranche will probably be paid out after the elections but before the currency board is introduced in May or early June after approval by the new parliament.

The IMF team yesterday discussed the introduction of the currency board and ways of strengthening the banking sector with Mr Ivan Kostov, leader of the Union of Democratic Forces (UDF), the anti-communist coalition which dominates the caretaker government, and possible next prime minister.

A currency board deprives governments of the power to subsidise budgets or loss-making enterprises by rigidly linking the domestic money supply to the level of hard currency reserves.

The idea has been widely accepted by UDF leaders. But Mr Jeffrey Sachs, director of the Harvard Institute of Development and an economic adviser to Mr Stoyanov, warned this week against the restrictive implications of a tight monetary regime. "A currency board is a good idea. But it is a solution that needs to move to a more flexible system in the longer term," he said.

### EUROPEAN NEWS DIGEST

## Turks warn on customs union

Turkey could scrap its customs union with the European Union unless it wins full EU membership, Ankara's ambassador to the EU warned yesterday.

This is the first time a senior official has spelled out earlier informal warnings that Ankara would terminate the customs union, which took effect last year. Last week some EU conservative leaders said Turkey could not be considered "acceptable" for membership.

The government's Anatolia news agency quoted the ambassador, Mr Uluc Ozulker, as saying: "Our relations with the EU could not survive under these circumstances and customs union could not be continued."

Turkey, which had to overcome strong opposition in the European Parliament to clinch the customs union, considers this a final step before full membership.

Officials have also warned that Ankara would annex Turkish north Cyprus if the EU application were turned down. The government has already threatened to veto Nato expansion unless it joins the 11 countries already listed for membership talks.

John Barham, Ankara

## Russians fire on fishing boats

Russian coast guard ships fired yesterday on Turkish vessels fishing illegally near Georgia's Black Sea coast, Russian news agencies said. One fisherman was wounded.

Nine ships were detained. Eight of them were later released, while one, named Erin-Haidari, was held for further investigation, said the press service of the border guards' command. The press service said the Erin-Haidari refused to obey orders to stop and ignored a warning shot, forcing the guards to fire at its bow. It said Turkey had been notified of the incident.

Russian coast guard vessels patrol Georgian waters under an agreement signed in 1994 between the two former Soviet republics.

AP, Moscow

## Czech energy VAT to rise

The Czech government yesterday approved a rise in value-added tax on energy prices to 22 per cent from 5 per cent from January 1 1998.

The move is part of wide-ranging plans to overhaul the tax system and price controls that are expected to include a similar rise in VAT on rents, cuts in corporate and personal taxes, and an increase in consumption taxes.

These plans were still under discussion late yesterday. Mr Václav Klaus, prime minister, said the "mechanics of tax collection" were also under scrutiny. The state budget recorded a deficit of Kčs.7bn (\$227m) in February, which has been blamed on weaknesses in the state's ability to collect taxes.

Vincent Boland, Prague

## Spur to Romanian investment

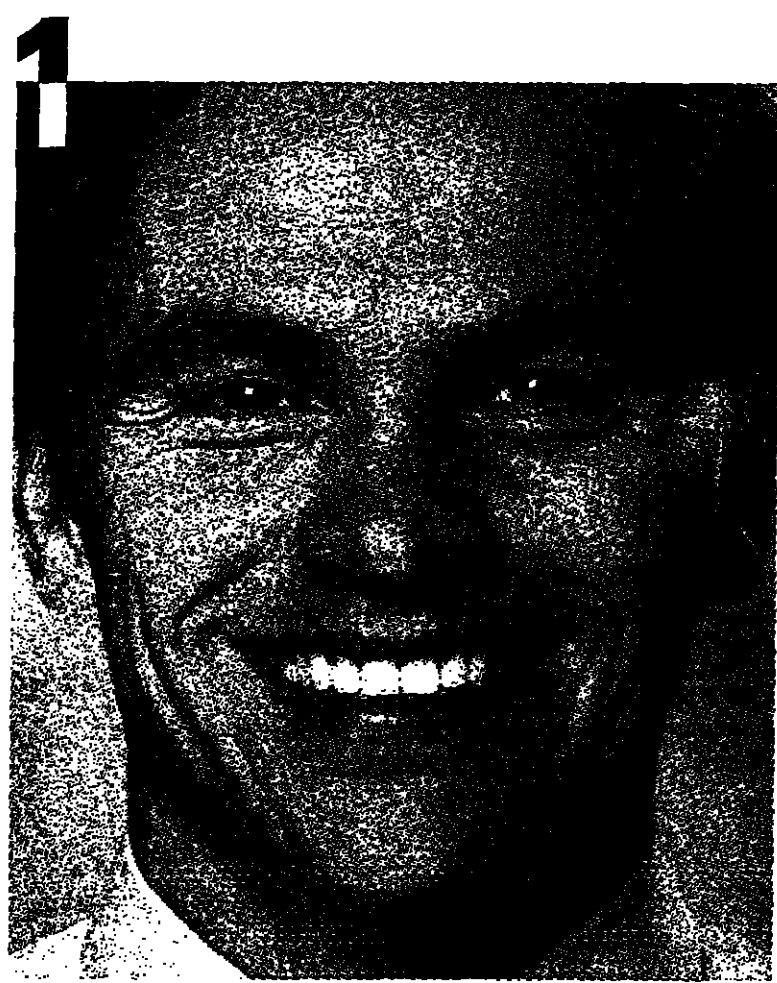
The Romanian Development Agency, the official promoter of foreign investment, said yesterday it had drafted amendments to the foreign investment law to simplify procedures and increase incentives.

The changes proposed by the agency include free land and buildings for new production sites, tax breaks on profits, and an extension of existing exemptions from customs duties. Minimum investment needed to qualify for such facilities is to be reduced from \$50m to \$10m.

The proposed changes come in the context of Romanian hopes of joining western structures, notably Nato and the EU.

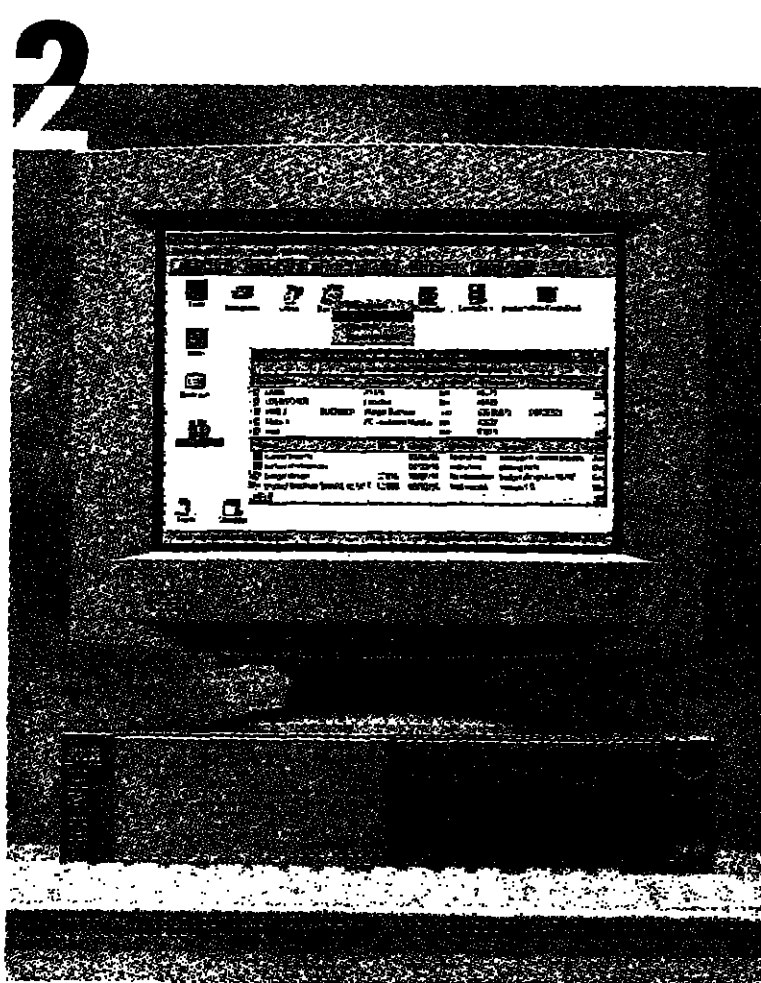
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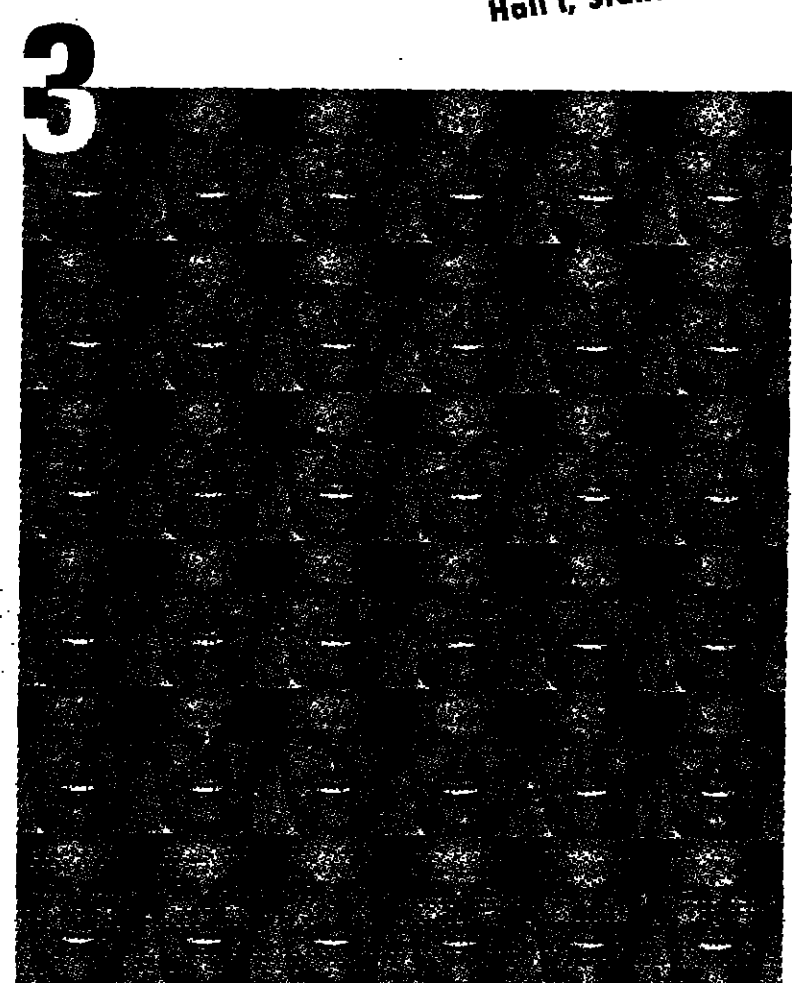
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## NEWS: EUROPE

# EU media initiative bogged down

Monti plan to limit ownership unlikely to win support from fellow commissioners

By Emma Tucker in Brussels

An initiative to produce rules regulating media ownership across the 15 European Union member states was last night postponed in the face of ferocious lobbying against it.

EU commissioners will return to the subject in coming weeks, but the prospects of success for Mr Mario Monti, the former economics professor who is the EU's commissioner responsible for the single market, appear bleak.

For the second time in two years Mr Monti is facing an uphill battle to convince fellow commissioners that EU-wide rules on media ownership are essential to the proper functioning of the single market.

Even a toned-down plan

imposing a 30 per cent limit on a company's or individual's share of any national radio or television audience and a promise of "flexibility" in how the threshold would be applied is unlikely to win the support of the Brussels executive.

"Media ownership is just too sensitive an area for the Commission to be getting involved in," said an official.

Other EU officials, and representatives of the industry, are baffled why Mr Monti is pressing the proposals in the face of hostility from many member states and much of Europe's media industry.

Previous attempts to harmonise media ownership rules at an EU level, notably by Mr Monti's predecessor, Mr Romano Prodi, consistently failed to

pass muster with the rest of the Commission.

The issue of who controls a nation's media touches a raw political nerve in member states; and the 1957 Rome treaty – the EU's founding document – states that diverse ownership or "pluralism" is a matter for national governments.

A more politically astute man than Mr Monti might have got the message – especially as his boss, Mr Jacques Santer, Commission president, comes from Luxembourg, home of CLT, one of Europe's biggest media companies and a large employer in Luxembourg.

Mr Santer, a former Luxembourg prime minister, knows all about CLT's hostility to Brussels action on media ownership.

"Monti is very dogged,"

says one Commission official. "Once he has got his teeth into something, he doesn't like to give up."

Mr Monti points out that, whereas a reasonably level playing field has been created for the cross-border trade in goods and services, a single market in the media industry does not exist. A plethora of national laws on media ownership make it harder for companies to compete fairly or engage in cross-border investments.

"But the industry says these rules have little to do with lack of cross-border investment, which is much more related to language and cultural barriers."

The European Publishers' Council (EPC), a body representing big media companies from across Europe, says that where companies have

judged it commercially worthwhile to invest abroad, they have overcome such obstacles. CLT has 14 television channels in six countries and 18 radio stations across eight countries.

"If you look at the situation theoretically, then what the Commission is proposing is right," says Ms Angela Mills of the EPC. "But in reality, barriers to cross border trade will never be resolved by legislation."

A second explanation for Mr Monti's persistence on media ownership is that he is under pressure from the European parliament. But MEPs are approaching the issue from a different angle.

Whereas Mr Monti argues the importance of the single market, the parliament is fighting under the banner of cultural pluralism defended

by EU regulation. In a January 1994 resolution, MEPs said that "national media legislation alone was no longer sufficient to safeguard diversity of opinion and pluralism in Europe".

There is a third, more intriguing explanation for Mr Monti's refusal to give up, which lies closer to home: the failure of national rules in his native Italy to prevent the creation of a media duopoly, dominated by Mr Silvio Berlusconi on one side, and RAI, the public broadcaster on the other.

"What private media companies in Italy want is a European directive to sort out the situation in Italy," said an industry specialist. "They don't believe that the Italian government would ever dare to tackle Berlusconi..."

## Liberal who became symbol of new Ireland

Mary Robinson turns down chance to serve second term

By John Murray Brown in Dublin



Robinson: dramatic changes

Mrs Mary Robinson, who announced her decision yesterday not to stand for a second term as Ireland's president, has come to symbolise the dramatic changes the country has undergone in the past decade.

She personified, as much to the outside world as to the Irish, the new Ireland, increasingly self-confident, no longer priest-ridden, and no longer living in the shadow of the UK, its former colonial master.

How much was her doing and how much was good timing are difficult to judge. Her victory in 1990, far from being evidence of a progressive or women's vote, was secured only after the favourite, Mr Brian Lenihan, the Fianna Fail candidate, became embroiled in allegations of political impropriety.

But she did much to reinvent the office of the presidency – a job that was held hitherto by worthy elder statesmen and that had remained largely ceremonial.

A former Trinity College law professor, and member of the Senate, Ireland's upper house, for 20 years, she took a liberal position on social issues – she was part of the Divorce Action group, lobbied for the introduction of contraception, and acted for Senator David Norris in his case in the European court of human rights seeking the decriminalisation of homosexuality.

On the Northern Ireland

issue in particular, she broke with tradition, famously photographed shaking the hand of Mr Gerry Adams, the Sinn Féin president, several months before the IRA declared its ceasefire and while the government still refused to have contacts

with republicans.

As the wife of an Irish Protestant, she brought a special sensitivity to the Northern Ireland problem. She resigned as a Labour senator over the UK-Irish Hillsborough Agreement on power-sharing in Ulster in 1985 because she believed it had been imposed on the Unionist majority – though five years later she was Labour's nominee for president.

As president, she was careful not to be overreach her constitutional role, and was criticised during the divorce referendum in 1985 for a couple of pointed interventions in support of legalising remarriage.

Through a hectic travelling schedule, she also did much to stimulate a public debate about the role of Ireland's diaspora, keeping a candle lit at Aras an Uachtairain, the president's official residence, in memory of the Irish abroad.

This week again she was the subject of media comment after her first visit to the Vatican, when she was criticised by traditionalists for not wearing a "mantilla" – the deferential head scarf worn in church by Catholic women.

## De Silguy quietly shelves tax study

By Lionel Barber in Brussels

The European Commission has quietly shelved a study on how countries in the planned single currency zone could co-operate more closely on tax harmonisation and social security.

Mr Yves-Thibault de Silguy, European Union monetary affairs commissioner, launched the study in the new year to stimulate the debate on "flexibility" in Europe, whereby some countries can press ahead with integration without being held back by others.

However, Mr Mario Monti, internal market commissioner, and others complained that Mr de Silguy was "jumping the gun". They opposed opening a debate on tax matters which risked alienating EU countries initially left out of economic and monetary union.

Mr Monti also argued that tax reform should be dealt with under the unanimity

rule in the decision-making council of ministers. His efforts edged forward this week with the first meeting of a high-level group of representatives of all 15 EU finance ministers to deal with unfair tax competition.

In retrospect, Mr de Silguy's tax initiative could be viewed as a far-sighted effort to define the rule of the post-Euro world, or as a covert attempt to protect and extend the Commission's and his own role should monetary union go ahead on schedule in 1999. Mr de Silguy is pressing hard for the Commission to have a formal role alongside the future European Central Bank at Group of Seven industrialised nation summits when matters relating to the euro zone come on the agenda.

Officials said the Commission's draft report on tax harmonisation seeks to sketch how countries could co-operate in fiscal policy without violating EU treat-

ties. These give the Commission powers of supervision and enforcement relating to the internal market and budget discipline among countries in and outside the euro zone.

In a potential threat to the Commission's post-Euro role, France has proposed a looser intergovernmental approach which would create a "Stability Council" of euro member states acting as a political counterweight to the future European Central Bank.

One obstacle to greater fiscal harmonisation is that the Maastricht treaty stipulates that all 15 member states have agreed that countries taking part in Euro must raise extra barriers against future entrants.

Luxembourg, which takes over the rotating EU presidency on July 1 from the Netherlands, has pledged to examine the question of tax competition with a view to achieving a code of conduct.

## Brussels drive to cut non-wage labour costs

By Caroline Southey in Brussels

The European Commission yesterday stressed the need for European Union countries to cut non-wage labour costs as part of a drive to boost job creation.

In the most critical assessment by Brussels on the EU's social protection regimes, the Commission backed a working paper setting out the deficiencies in social protection systems across the Union.

The Commission's initiative comes in the wake of the controversial closure of a factory in Belgium by the French carmaker Renault. The company cited Belgium's high non-wage labour costs as the main reason for its decision.

Mr Padraig Flynn, European commissioner for social policy, said the Renault closure underlined the need to develop a "social dimension to complement the single market", including a convergence of social protection plans in the EU.

"Social protection must adapt to survive. This does not mean unravelling the welfare state but modernising it," the Commission paper said.

It underlines the urgent need for governments to reform all aspects of social protection, including health care, unemployment benefits and pensions, pointing out that publicly funded social protection systems

account for 25 per cent of the EU's total gross domestic product. To improve the EU's poor job creation record, the document calls for an overhaul of unemployment compensation schemes and taxes to provide incentives for taking up work.

The paper argues that "reactive unemployment insurance" should be replaced with "pro-active employability insurance".

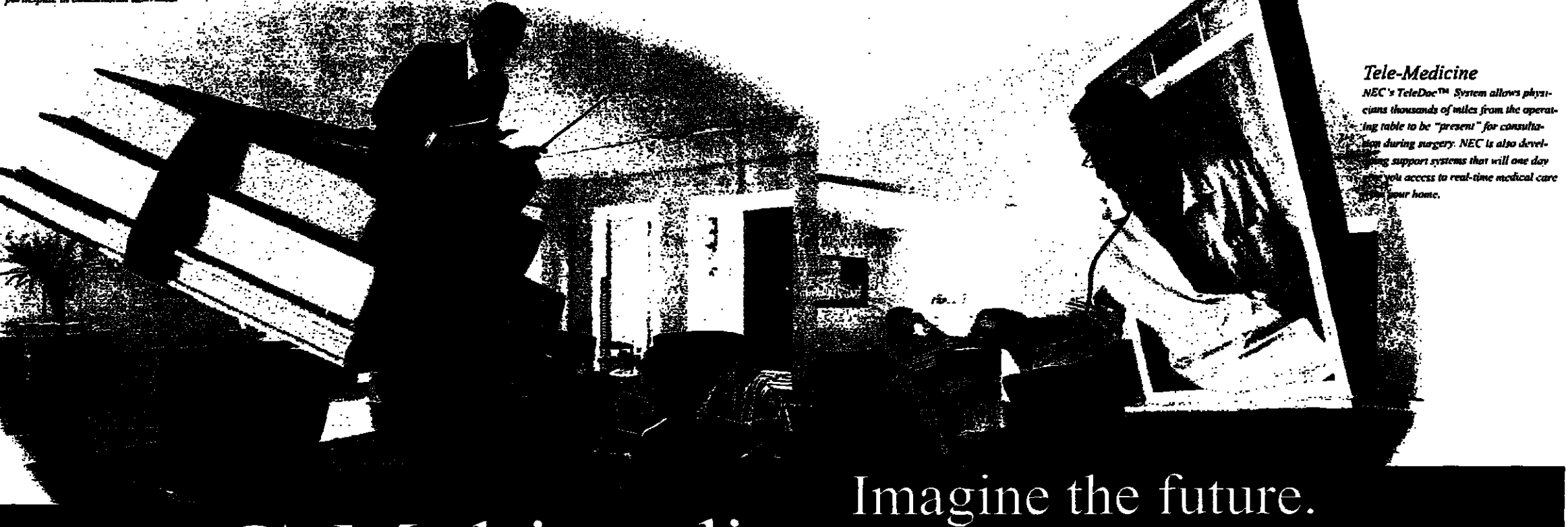
The European Commission yesterday approved proposals for a minimum tax for electricity output as well as a tax for natural gas and coal when they are used as motor fuel or heating fuel, Caroline Southey writes from Brussels. Coal and natural gas would be exempt when used as raw materials or chemical reductions. The proposals are likely to provoke controversy as national governments consider taxation their prerogative.

"Taxation and social protection systems need to be made more employment-friendly while still providing a safety net for the jobless," the paper argues, adding that "dependency on social protection is likely to grow for as long as the net gain expected from return to work is small".

The paper argues that non-wage income support should be introduced, such as providing public or subsidised child care.

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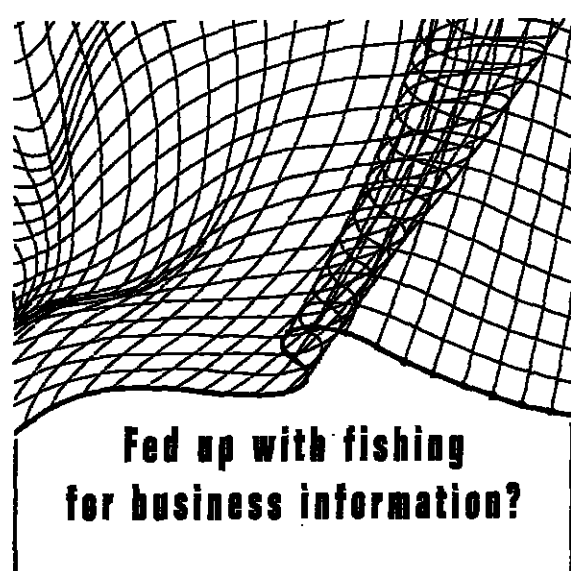
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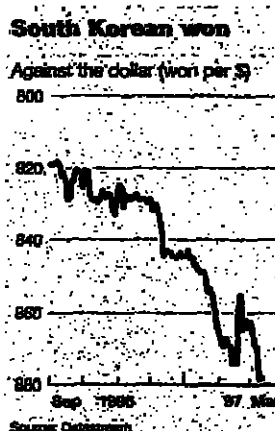
## S Korea moves to cap rate rises

By John Burton in Seoul

South Korea's central bank yesterday said it would provide commercial banks with Won1,200bn (\$1.38bn) in an attempt to cap a sharp rise in interest rates that has unsettled the Seoul stock market.

High rates and a sharp fall in the value of the South Korean currency - the won - bode ill for the economy this year. Some economists predict that South Korea is heading for a period of stagflation, with sluggish growth and rising inflation because of higher import costs.

The central bank yesterday cut its 1997 economic growth forecast to 6 per cent, from 6.4 per cent. But private economic institutes predict a growth rate closer to 5 per cent, the



slowest in nearly 20 years. The pressure on interest rates came from a lingering credit crunch caused by late January's collapse of the Hanbo steel and construction group, which was the country's

biggest bankruptcy.

The yield on three-year corporate bonds, a measure of long-term interest rates, stood at 12.7 per cent yesterday, up from 12 per cent at the end of January.

A slowdown in sales has also forced South Korean companies to borrow more money to service their high debt burdens.

The prospect of continued high interest rates has led to a 3.7 per cent fall in the Seoul bourse's general share index since Friday. After closing at 655.95 on Tuesday, it rebounded yesterday to 663.90 on bargain hunting.

Stock market sentiment has also been depressed by the continued fall of the South Korean currency against the US dollar, in response to a widening trade deficit. A weak South

Korean won could hurt earnings this year of companies with large dollar-denominated foreign debt.

Some of South Korea's biggest companies were threatened with net losses for 1996 because of foreign exchange losses on overseas debt, as the won fell by 8.2 per cent against the dollar.

They managed to avoid reporting deficits after the government let them capitalise most of their foreign exchange losses, although profits for listed companies still fell by 70 per cent.

The won has fallen a further 3.8 per cent this year, and closed yesterday at 677.30 to the dollar. Analysts believe that it will fall to 800 to the dollar by June because of the growing current account deficit and the outflow of foreign funds

from the Seoul bourse.

Moreover, South Korean exporters are not expected to benefit much from the weak won, as the Japanese yen is falling more quickly against the dollar.

In anticipation of a continued fall in the currency's value, South Korean companies have increased holdings of dollars in their foreign currency deposits, which puts further downward pressure on the won.

This has undercut efforts by the central bank to stabilise the won. The bank intervened in forward currency contracts markets in mid-February after the unit hit a seven-year low of 678.80 to the dollar. The rescue proved short-term, as the currency resumed its slide last week.

World stocks, Page 36

## ADB in plan to lend Vietnam \$1.5bn

By Jeremy Grant in Hanoi

The Asian Development Bank (ADB) plans to lend Vietnam \$1.5bn for the year 1997-2000, it said yesterday. This will make the coun- the biggest recipient of bank's concessional funds.

However, the ADB urged Hanoi to improve distribution of official development assistance, reflecting widespread concern over project implementation in the communist-run country.

The new pledge highlights how increasingly dependent Vietnam is becoming as the rate of foreign investment, private enterprise and the struggle to mobilise domestic savings.

"The government agreed with the (ADB) mission view that raising the rate of savings is one of its most urgent macro-economic tasks."

"In the meantime, however, the country would continue to depend on significant external assistance its development needs," ADB statement said.

About 40 per cent of money would go towards roads and power projects per cent would be spent on agriculture and rural development, a further 25 per cent on education and health, the rest on financial reform.

The money will be provided on terms which include a 40-year repayment period, including 10 years grace and a service charge of 1 per cent.

The fresh funding comes on top of an existing \$1.8bn loan extended by the ADB since it resumed lending Vietnam in 1993. T money has been sunk into projects in roads, water, electricity, power and rural credit in a country that is among the world's poorest.

However, one project, \$65m Ho Chi Minh water scheme, had been labelled problematic due to slow implementation by local partner, according to Mr Rajat Nag, ADB programme manager, in chief of Vietnam. That reflects wider concern over the level of disbursement generally.

"The bank is concerned about project implementation performance (in Vietnam)," Mr Nag said.

Disbursement of off-aid from Japan, by far Vietnam's largest donor, is at 3 per cent per year of money committed, against regional average for such of 15 per cent.

An additional issue the difficulty Hanoi is having raising counterpart financing for its share of planned projects. This stems from Vietnam's fragile state of payments position.

Mr Nag said Hanoi agreed to try to meet a disbursement target of per cent of net loans outstanding by the end of year, up from a current average of 7 per cent.

average for all ADB projects is 14 per cent. Editorial comment, Page 36

Justin Maro

### ASIA-PACIFIC NEWS DIGEST

## Lee sparks row with Malaysia

Malaysia and Singapore were embroiled yesterday in a row after Mr Lee Kuan Yew, the Singapore senior minister, described a southern Malaysian state as "notorious for shootings, muggings and car-jackings". His remarks touched off a second diplomatic row in eight months, signalling that relations are souring between the two neighbours, both leading members of the Association of South-east Asian Nations (Asean). Malaysia's foreign minister, Mr Abdullah Badawi, summoned Singapore's ambassador to Malaysia to protest at the remarks.

Mr Lee's remarks came in a written affidavit during court proceedings against Mr Tang Liang Hong, a Singaporean opposition politician who fled to the Malaysian state of Johor in January after losing an election contest against Singapore's ruling People's Action party.

The strength of Malaysia's reaction to Mr Lee's comments surprised that seen in the last bilateral disagreement, which was also started by Mr Lee. The senior minister said last June that Singapore could consider rejoining Malaysia if the latter country dropped its policy of preferential treatment for the Malay races over the minority Chinese. James Kyng, Kuala Lumpur

**Burma growth likely to slow**  
Economic growth in Burma is slowing and the economic situation is likely to worsen over the next several years, according to a confidential report prepared by the International Monetary Fund. The growth rate in the fiscal year 1996-97 was 6.1 per cent, down from an average of 8.25 per cent in the four previous years.

Continued reliance on an overvalued official exchange rate and large fiscal deficits has caused the economic situation to take "a marked turn for the worse since April 1996", the report says. Foreign exchange reserves have fallen to \$213m, the lowest since the 1988 military coup, while debt service arrears accumulated, leaving over \$1.5bn outstanding at the end of the last fiscal year.

Without a one-off devaluation of the currency by more than 2,500 per cent, coupled with structural reforms, growth would fall to 4 per cent by 2000, the current account deficit would increase by 14 per cent and foreign exchange reserves would cover just over one month of imports, the IMF predicts. Ted Bardacke, Bangkok

**Indonesia cuts interest rates**  
Indonesia's central bank yesterday signalled a further relaxing of monetary policy by announcing a 50 basis point cut in its interest rates on money market certificates, the financial instruments through which banks borrow from the central bank. The across-the-board cut reduced rates on one-week money market certificates, from 15.25 per cent to 14.75 per cent, while the two-week rate dropped to 15 per cent and three, six and 12-month rates to 15.5 per cent. The move is seen as an attempt to curb an appreciation of the rupiah and improve export competitiveness. Mariana Saragosa, Jakarta

**Bangladesh coup trial starts**  
The trial of 20 people accused of murdering Sheikh Mujibur Rahman, founder of Bangladesh, in a 1975 military coup started yesterday with all six who were brought before the court saying they wanted to retract their confessional statements because of alleged torture.

The six, a woman and five men, include a former minister and three retired senior army officers. The remaining 14 accused are expected to be tried in absentia. The case was brought after Sheikh Mujib's daughter, Sheikh Hasina, took over as prime minister in general elections last June. Kasra Naji, Dhaka

### Companies warned over payments to racketeers

## Keidanren takes tough stance on corruption

By William Dawkins in Tokyo

The Keidanren, Japan's influential economic federation, yesterday promised a crackdown against corporate corruption in response to scandals involving payments to racketeers.

Companies found to have violated a revised Keidanren charter of good corporate behaviour, approved last year, will be suspended from the organisation, said Mr Masaya Miyoshi, Keidanren president.

He was reacting to last week's admission by Nomura Securities, Japan's top stockbroker, that it had made "apparently irregular payments" to a property company run by the brother of a *sokaiya*, an underworld figure who extorts cash by threatening to upset shareholders' meetings. Two executives of Ajinomoto, the

leading food processor, were arrested on Tuesday for allegedly paying *sokaiya*.

The Keidanren had yet to decide whether to take action against Nomura and Ajinomoto, Mr Miyoshi stressed. But he said it was "maybe possible" that Nomura would be suspended, depending on results of an inquiry by the securities and exchange surveillance commission, expected soon.

As for Ajinomoto, the Keidanren would "wait and see". "Our closed and traditional society must change," said Mr Miyoshi. Apart from a change in culture, practical solutions were more self-regulation, as embodied in the Keidanren charter, greater disclosure of financial information and a more systematic attack on corruption by government authorities, he said.

The Keidanren's veiled

warning marks a tougher stance against corruption by the business establishment, coming at a time when corporate Japan's international reputation has been damaged by scandals at Daiwa Bank, involving hidden losses by a New York-based bond dealer in 1995, and at Sumitomo Corporation, the general trading company, involving a failed attempt by a metals dealer last year to drive up world copper prices.

The Keidanren has already started to act on its new code, by suspending for six months the memberships of Kinmon Manufacturing and Aichi Tokai Denki, Japan's two biggest producers of water and gas meters, after they were accused last month by the Fair Trade Commission of rigging contract bids in Tokyo. Out of the gangster's shadow, Page 15

## China pledges to focus on financial fraudsters

By James Harding in Shanghai

Criminal activity on China's fledgling financial markets soared last year, prompting the government yesterday to promise a crackdown on financial fraud in 1997.

Crimes involving shares, bonds and commercial paper increased 87.3 per cent in 1996 compared with the previous year, according to a report to the National People's Congress, China's parliament. Disputes over financial contracts rose by 32 per cent, evidence according to state authorities that financial irregularities have become "a serious problem in China".

The pledge yesterday by the People's Supreme Court, the highest court in the country, to focus on fraud follows revisions announced last week to the national criminal code to include crimes such as money laun-

dering and insider trading. Delegates to the annual meeting of the People's Congress in Beijing have committed China to maintaining the momentum of Deng Xiaoping's economic reforms, but are alarmed by the rising white-collar crime that has accompanied the conversion to a market economy.

However, the Congress has yet to agree to a basic securities and futures trading law. The securities law, which was first considered in 1993, is still under revision, according to a report this week in China Securities, the state-owned newspaper. A draft futures trading law was submitted to select Congress members last year, but awaits final approval.

The development of China's derivatives markets has been at a standstill since bond futures were banned following a huge trading scandal in Shanghai in 1995.

Earlier this year, the man at the heart of the attempt to fix bond prices was sentenced to 17 years' jail.

Chinese authorities have reacted severely to attempts at market manipulation on smaller commodities markets, which are particularly prone to audacious attempts at price rigging.

Over the weekend, the Shanghai Securities News, the official newspaper, reported that Jinma Futures had been suspended for six months from the market after allegedly cheating clients by faking reports on trades of green bean futures on the Beijing and Zhengzhou futures exchanges.

A separate attempt to corner the market in green bean futures in Zhengzhou late last year was foiled when an individual was found to have bought contracts far in excess of exchange limits by using several false names.

## Clubby Manila exchange resists reform

Mr Wilson Sy, the chairman of the Philippine Stock Exchange, also owns a brokerage - Wealth Securities - and has interests in two others. He sits on the board of Belle, a listed property and gaming group, and manages a mutual fund which last year yielded a 58 per cent return, more than three times greater than its nearest competitor.

Most mornings he is found on the exchange trading floor, where the clubby atmosphere often blurs personal and institutional demarcation lines.

It is this coziness which many argue is to blame for the resignations crisis which has rocked the stock exchange in the past week. Several key heads of departments - including compliance and surveillance, which investigates insider dealing - walked out amid reports of clashes with Mr Vital-

ano Nanagas, the exchange's president who resigned at the weekend after five months in the job. Three have since returned.

More seriously, however, the departures followed the disclosure that the exchange had ended investigations into between seven and 10 brokerages for insider dealing and price manipulation without informing the Securities and Exchange Commission (SEC), the market regulator.

Mr Perfecto Yasay, chairman of the SEC, says he will start administrative prosecutions of those suspected of violations within weeks and will also withhold granting the exchange permanent self-regulatory status at least until it submits a regulatory plan and a new president is appointed.

Mr Nanagas' successor will face an uphill battle in deepening

reforms which upset the status quo. Previous attempts to upset the apparent have proved difficult. In 1995, Ms Marcel Lopez, then head of compliance and surveillance, resigned after three kidnapping attempts and numerous death threats.

Brokers have a long way to go in understanding the new concept of self-regulation, says Mr Yasay, as evidenced by the latest catchword on the exchange of *walang putis* - literally meaning "no cops", a worrying indication that self-regulation status may have been awarded prematurely.

Mr Nanagas says he tried to professionalise the exchange by introducing more transparent and ethical operations, clear lines of authority, tight standards, accountability, and technical competence. He admits he may have moved too

quickly and ruffled feathers. The lack of transparency will be a serious problem for the new president. In January, the shares of several small mining and oil companies shot past through the exchange's ceiling which limits daily price rises. Mr Yasay says when he requested details of the trading he was told the exchange's automated surveillance system - which identifies brokers' buying and selling - had broken down.

"It would be great to see a new president clamp down on manipulation of share prices and insider trading but I think it's unlikely because there are simply too many vested interests involved," says one foreign banker.

The influence of brokers on the professional management of the exchange remains another key area for reform. Even after win-

ning increased representation last week's elections to the board, non-brokers will only occupy 11 of the 15 seats. Mr Roman, chairman of the capital market development council, says exchange must increase representation of both non-brokers and institutional brokers to balance influence of smaller, local houses. Before its progress was interrupted, the exchange was steadily forward. December, the SEC granted it a temporary self-regulatory status month later, the central deposit system was opened, paving way for increased investment overseas. Rounding off the st of successes, the market then an all-time high of 3,447.8 in first week of February.

Justin Maro

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## NEWS: THE AMERICAS

# How deepens growing US unease over relations with Asian giant

## Funding scandal puts China on hold

ancy Dunne in Washington

allegations that Beijing opted to funnel illegal campaign contributions to US political candidates have added growing sense of unease in Washington over US-China policy.

Dan O'Flaherty of the National Foreign Trade Council, a press and labour organisation, over the number of "impossibilities" operating simultaneously as a result of the death of Xiaoping, the coming transfer of Hong Kong on July 1, the US trade deficit and a new US foreign policy alignment over the policy of engagement.

It is the worst possible time for the administration to be called into question by a funding scandal, he says. It is hard to see what direct debate or events will

These unhappiness is growing, foreign ministry in Beijing said in the US charge d'affaires week to complain about "malicious fabrications" in the US press.

Just a month ago, the administration's course on China seemed set. High-level visits, starting with Vice-President Al Gore to Beijing this month, were to begin for the first time since President Bill Clinton took office. The policy was "to engage" on several levels simultaneously - trade and economics, nuclear proliferation, drug trafficking, human rights, Asia policy - with more frequent meetings between senior officials on both sides.

But there have been moves on Capitol Hill to take a hand in the game. Mr Dick Gephardt, the Democratic leader in the House, has introduced a bill requiring the administration to get congressional approval before approving China's membership of the World Trade Organisation. The House this week approved a bill outlining US concern about Hong Kong's reversion, requiring administration reports and presidential action if China fails to keep its promises on Hong Kong's autonomy.

A further complication could be the annual debate over the renewal of China's most favoured nation

trade status, which follows the Hong Kong transfer. The challenge to Mr Clinton's policies has gone beyond the ideological alliance of House Republican populists and Democratic liberals.

### Specialists call on US to stop Chinese attempts at 'hegemony'

The consensus among foreign policy experts was once heavily in favour of engagement; now many are castigating China as an emerging evil superpower.

Foreign Affairs magazine this month carried a piece by two veteran China specialists, Mr Richard Bernstein and Mr Ross H. Munro, warning that "America's number one objective in Asia must be to derailed China's quest to become a 21st-century hegemon". The New Republic devoted much of its March 10 issue to an attack on

"destructive engagement".

The new concern about Beijing arises just as the Republican majority, preoccupied with domestic issues in the last Congress - had begun to take an interest in foreign affairs and China particularly. About one-fifth of the Republican membership travelled to Beijing during the last congressional break; Mr Newt Gingrich, the House speaker, is to make his first trip there later this month with a bipartisan delegation.

Perhaps typical of the congressional tourists is Congressman Jon Fox, a Pennsylvania Republican, who recently returned enthusiastic about an agreement to establish a joint permanent parliamentary committee to work on common problems. "We found human rights concerns were blown up beyond reasonable proportions. There have been improvements, and there is interest by the Chinese leadership to move closer together," said Mr Fox.

He was struck by the sight of Chinese motorists wearing surgical masks against polluted skies. "They need our environmental

expertise; we should be accommodating them." Mr Fox and others believe all will depend on how the story of China's alleged campaign financing plot develops. "There could be terrible downside possibilities if it turns out they tried to interfere in US politics or people believe they tried to interfere," said one lobbyist.

A senior Republican staffer said: "The question of whether the administration has been for sale or not feeds into the general question of its trade policies. The \$40bn trade deficit raises another question - what the US gets from this relationship."

Mr Calman Cohen, of the emergency committee for American trade, a group of multinationals, has been leading the MFN renewal battle for years. He believes the administration's China policy could suffer a short-term setback.

"But after a month or two, there will be a return to the issue. Then members will ask a more basic question: What is in the US national economic interest? It is on that basis that a decision to move ahead will be made."

## An Argentine heroine in the making

By Jimmy Burns

Evita might have proved a global box office hit, but in Argentina a quite different and rather more tangible political heroine is emerging. Mrs Graciela Fernández Meijide, a 67-year-old former French teacher, is on course to become a serious challenger to the presidency of Mr Carlos Menem.

"Evita came to power at the hands of a general - her husband Perón. I entered politics against the generals," says Mrs Fernández. She was speaking at the start of a short European tour that comes against the background of opinion poll ratings confirming her as one of the country's most popular politicians.

Polls make Mrs Fernández an easy winner in October's crucial mid-term congressional elections, in which she will represent the centre-left Frepaso alliance as the candidate for the province of Buenos Aires.

A win would strengthen her bid for the presidency in the next national election, due in 1998, after her strong showing in last year's Senate and local elections.

Mrs Fernández's popularity is based on impeccable democratic credentials.

Her life was shattered under the military regime in 1977 when the security forces broke into her home and arrested her 17-year-old son Pablo. He joined thou-



Fernández: 'I entered politics against the generals'

sands of Argentines who "disappeared" without trial or trace.

Mrs Fernández turned overnight into a human rights activist, becoming a leading member of the commission investigating the abuses of the military junta after the return of democracy in 1984.

She has built up a political platform based on an increasingly outspoken opposition to the Menem government.

"In Argentina, democracy is in danger of being eroded again," she said this week.

"There is growing social unrest and a widespread feeling of insecurity because of the government's economic programme, the lack of an independent judiciary, and an endemic corruption at official level."

## Cuts secure a landslide victory in Alberta

Edward Simon in Toronto

ralph Klein, premier of the Canadian province of Alberta, has proved that fiscal discipline and electioneering without promises can do wonders for a politician's popularity.

Klein's Progressive Conservatives won a landslide victory in elections held on Tuesday. Tories won 63 of 83 seats in the provincial legislature, up from 54 previously. The opposition

Mr Klein, an avuncular former TV reporter and mayor of Calgary, ran a low-key campaign, built around the image of a down-to-earth politician who kept his word.

Under his leadership, the Alberta Tories pioneered a wave of fiscal restraint that has swept across Canada over the past five years. They have turned a record budget deficit into an expected C\$2.2bn (US\$1.6bn) surplus in the fiscal year ending on March 31, the third surplus in a row.

The turnaround was helped by rising tax revenues, boosted by strong prices for oil, natural gas and wheat, the three mainstays of Alberta's economy. But the Tories also cut deeply into public spending, including such sensitive areas as healthcare, welfare and education. They have also privatised many government agencies and services, from liquor distribution to the issue of birth certificates.

Alberta's economy is expected to outperform the other nine provinces this year, with a real growth

rate of about 3.5 per cent. Although Albertans make up only about a tenth of Canada's workforce, the province accounted for one-third of new jobs created last year.

A growing number of companies have moved to Alberta, especially Calgary, attracted by the lowest tax rates in Canada. Alberta is the only province without a retail sales tax. Barring a slump in commodity prices, Mr Klein's challenge in his second mandate will be to forge a consensus on the role of government in an era of prosperity.

A balanced budget and debt retirement act requires budget surpluses to be used to eliminate the province's debt, expected to be achieved early next decade. However, rising public disquiet over health services recently led the Tories to loosen the spending reins in that area.

At least seven of Canada's 10 provinces are expected to post budget surpluses this year. The two biggest, Ontario and Quebec, have pledged to balance their books by 2001 and 2000 respectively.

## AMERICAN NEWS DIGEST

### Venezuela anger in corn imports

governors of three of Venezuela's key agricultural states have banned imported corn in support of local farmers unable to sell their more expensive crops on the domestic market. Angry farmers have been blocking trucks carrying imported maize.

Mr Iván Colmenares, governor of the state of Zulia, said this week: "We want our domestic cultural production to be used by the national textile industries, and we won't lift this ban until negotiations resume between the government, and farmers and processors of grains."

Mr Hiran Gaviria, president of Fedesagro, the cultural federation, said: "We have a few large orders distorting the market and harming tens of thousands of domestic producers." According to Fedesagro, cost of imported yellow corn, mostly from the US, is at \$200 per tonne, while domestic sorghum costs \$276 tonne. Among the principal industries affected by the import are Empresas Polar, the food and beer conglomerate.

Raymond Collett, Caracas

### US growth 'moderate'

US economy continues to expand "at a relatively moderate pace", according to the Federal Reserve's Beige Book survey of current economic activity. Retail sales were up in most of the country compared to a year earlier, and most regions reported high levels of manufacturing activity, with only pockets of weakness. The survey said that tight labour market conditions persisted throughout the country, but added that wages remained moderate, showing "no signs of breaking out of the 3-4 per cent range that has been cited in the last several reports".

The survey found "pockets of persistently upward wage pressure", mostly related to high-technology and aircraft. Inflation appeared to remain tame, the Fed said. The survey will help the Fed prepare for its March 25 meeting to plot monetary strategy.

AFX, Washington

### Money laundering accord

Britain and the UK have signed an agreement to combat money laundering and drug trafficking, as part of an effort to tighten controls of the island's offshore banking sector which has been said by British, US and Canadian authorities to be a haven for money launderers. The eastern Caribbean island, which recently signed a similar pact with the US, said last month it was closing down six Russian offshore banks, which local officials said were suspected of laundering "hundreds of millions of dollars" for the Russian mafia. Most of the island's 37 offshore banks are US-owned.

The agreement provided for a wide measure of mutual assistance between the governments of the UK, Antigua and Barbuda in the investigation, restraint and confiscation of the proceeds and instruments of crime, a statement by the Antiguan government.

Caroline James, Kingston

### Exchanges plan 24-hour trade

ex, the New York Cotton Exchange's currency futures options market, is to link up with the Malaysia Monetary Exchange to create a 24-hour trading operation. The move, announced yesterday, will initially involve currency contracts which are traded in New York and 911m. But Finex said it planned to introduce four new far-indexed futures contracts based on the Malaysian ringgit, Indonesian rupiah, Singapore dollar and Thai baht.

We would like to mirror our Dublin success in the region, where no futures market for local currencies now exists," said Mr Charles Minar, NYCE vice-president for marketing and product development. No date has been announced for the launch.

John Murray Brown, Dublin

New Yorkers are happier about their city than they have been in a decade, according to a poll published yesterday. Half of those surveyed said that even if they had the option to move out of the city they would not. It was the highest response to the question in more than a decade, the New York Times said. Thirty-four per cent of those surveyed by the newspaper said life in the city has improved in the last four years, up from 10 per cent in a 1993 survey.

AP, New York

### Court upholds 2,900% phone cost rise

By Joanna Tuckman in Guatemala City

A Guatemalan court has refused to suspend a 2,900 per cent increase in the cost of local telephone calls. The rise last month was to help prepare for the sale of 95 per cent of the state-owned telecommunications company scheduled for mid-June.

Mr Gustavo Saravia, the state modernisation commissioner, expressed satisfaction and relief at Monday's ruling. But the failure of the case, brought by Mr Jorge Garcia, the national human rights ombudsman, does not completely clear the route to privatisation.

The sale of the telecoms company is the linchpin of an ambitious programme announced earlier this year.

The programme also affects the electricity sector, railways, ports, airports, postal service, tourist board and Agricultural Development Bank.

Even the most vehement opponents of privatisation accept that the process is unstoppable but there are still potential obstacles ahead.

Last week the ruling National Advancement party's majority in Congress ensured the approval of reforms to the contracts and sales law, opening the way for the transfer of all state concerns to private sector control with minimal procedure requirements.

Opposition parties have said they will take the reforms to the Constitutional Court. They argue that the modified law disregards the need to safeguard consumers. They also complain that the legislation gives government officials the power to sell off state assets or grant concessions at will.

Ms Nineth Montenegro, of the leftwing minority party New Guatemala Democratic Front, says the objective is not to stop privatisation but to win "compensatory measures".

"Privatisation is a fact, but perhaps we can force some price regulation and recognition of the need for a strong state to run alongside respect for private enterprise," she says.

The Guatemalan labour movement is uniting around the privatisation issue and pressure is also growing on the former leftwing guerrillas to take a stance. They are currently preoccupied with demobilisation following a peace treaty signed at the end of last year.

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## NEWS: WORLD TRADE

# Abu Dhabi turns up the gas in \$10bn project

Western engineering groups line up to bid for contracts as Gulf state moves to develop its gas fields

Soaring domestic consumption of electricity, and restrictions on oil production by Opec quotas, have led Abu Dhabi's National Oil Company (ADNOC) to initiate a crash programme to expand gas output.

Although better known for having the world's third largest proven oil reserves after Saudi Arabia and Iraq, Abu Dhabi, the richest of the UAE's seven emirates, also has the world's fourth highest reserves of natural gas, after Russia, Iran and Qatar.

The emirate's gas consumption has doubled in the last decade to 1.75bn cubic feet a day (cf) and is expected to rise to 3bn cf by 2000 and 4bn cf by 2005. But the economics of Opec production quotas, by which the UAE is limited to 2.16m barrels a day (b/d), also provide an incentive to develop gas reserves.

Abu Dhabi's oil production capacity is 500,000 b/d above its 1.5m b/d production. Developing gas helps increase exports of condensates which are not subject to Opec quotas.

In just six months, ADNOC has committed itself to \$10bn of work to expand

or modernise on- and off-shore gas extraction and distribution systems; to advance the development of Ruwais, on the Gulf coast west of Abu Dhabi, into an important export base for petrochemicals; and to turn Taweelah, site of an \$8bn power station being built by Asea Brown Boveri and Belgium's Six Construct north of the capital city, into a gas-based industrial zone.

The decision to turn to gas

is proving to be a bonanza for western process and power engineering companies with \$2.7bn worth of on- and off-shore gas-enhancement and expansion contracts on the "fast track" to be awarded this year; and more than \$3bn worth of additional work to develop petrochemicals and upgrade the refinery at Ruwais.

First of the "fast track" schemes is the second phase of the \$1bn onshore gas

development programme (OGD-2) centred on the onshore natural gas complex at Habshan, directly over the giant Bab oil and gas field.

OGD-2 calls for three or four gas processing trains to take 1.15bn cf of wet gas as well as 1,800 tonnes a day of natural gas liquids (ngl), 30,000 b/d of condensate and over 800 tonnes a day of sulphur. Vapourised sweet gas will be piped to the Taweelah power station.

Engineering, procurement and construction (EPC) bid documents could go out as early as next month. The leading contenders are France's Technip, Italy's Snamprogetti and Japan's Chiyoda with Mitsubishi.

The second "fast track" project, and closely linked to OGD-2, is the \$700m on-shore gas-enhancement scheme at Asab, to be completed in two years. Mr Abdul Aziz Al-Housani, manager of busi-

ness planning at ADNOC's processing directorate, says the Asab development will process nearly 85m cf of associated gas and produce up to 100,000 b/d of condensate for processing at the Ruwais refinery. Gas will also be used as feedstock for Ruwais's industries, and associated gas re-injected into the Asab reservoirs to maintain pressure.

Construction bids are at the technical evaluation

stage. As for OGD-2, the leading contenders are Snamprogetti, Technip, and Chiyoda. The contract award is expected within the next two months.

The third of the three "fast track" schemes is the \$800m-\$1bn programme to process over 500m cf of gas from the Khuff gas zones in the Umm Shaif and Abu Al Bukoosh regions and pipe it to Taweelah, with some of this, according to official sources outside ADNOC, being piped on to Dubai's Jebel Ali. Front-end engineering and design bids are "imminent", according to industry sources in Abu Dhabi. Leading contenders are the UK's Kvaerner John Brown, the UK office of Bechtel, and Brown & Root of the US.

The first of the two "slower track" programmes which will be complete in three to five years is the \$1.5bn joint venture between ADNOC and Copenhagen-based Borealis to build an ethane cracker at Ruwais to produce 600,000 tonnes per annum of polyethylene. Borealis is a joint venture between Norway's Statoil and Finland's Neste Oy.

The challenge for ADNOC is not lack of funds but synchronising the various elements of the five programmes, so that petrochemical and power plants are not left standing without essential gas for power and feedstock.

Robin Allen

## Dubai may buy gas from neighbour

Dubai government officials talk confidently of continuing buoyant economic growth but do not say - at least in public - how these new industries, hotels, and services will be funded or from where the energy will come for the required electricity and feedstock.

Offshore oil production, the mainstay of government revenue, is reported to have declined by a third over the past five years to 270,000 b/d; a low level by Gulf standards. To save money, the government has recently sent home 3,000 Omani soldiers, a quarter of the enlisted men in the Dubai army.

In private, senior Dubai officials assume Abu Dhabi will provide gas

for the energy requirements. Senior diplomats concur to the extent that Abu Dhabi's ruler and UAE president Sheikh Zayed Bin Sultan Al-Nahyan has "given instructions" for Dubai to receive 800m cubic feet per day of gas. But the timing and the precise quantities have yet to be determined by Abu Dhabi's supreme petroleum council.

Abu Dhabi National Oil Company's plans go no further than providing 500m cf to the Taweelah power plant. A pipeline to Jebel Ali is not even on the drawing-board. Municipal and government economic department plans have been based on estimates of 5 per cent annual growth in power needs

for lighting and cooling alone. According to industry sources, demand for lighting and cooling is growing by more than three times the official estimates of 5 per cent a year.

Last year, a gas re-injection programme at Dubai's Margham on-shore gas and condensate field helped Dubai weather a breakdown in gas supplies from Sharjah on which it depends for all its current needs. But Sharjah's reserves are too small for long-term supplies, without which Dubai cannot invest in new heavy industries.

Other potential long-term suppliers are Iran, which is politically difficult; Oman, whose

limited reserves are already committed; or Qatar. Officials there however have indicated that Qatar will not consider supplying gas to Dubai until 2005 at the earliest. Qatar is too busy with its own much larger gas-export projects.

That leaves Abu Dhabi, the nearest and most logical source. The industry consensus in both places is that Abu Dhabi will not let Dubai down. But a lot of technical and financial leg-work needs to be done before Dubai and Abu Dhabi reach agreement on quantities; and, equally important, on pricing. The view in Abu Dhabi is that Dubai should focus on conserving energy, particularly during summer.

## US rebuffs Japanese on telecoms

By Michio Nakamoto  
in Tokyo

Plans by Japan's largest telecom carriers to build up their international businesses have been put on hold by the US, in a move that could increase trade friction in the sector.

The Federal Communications Commission (FCC), the US telecoms authority, has told NTT, Japan's largest carrier, and KDD, the country's largest international operator, that approval for their US business plans has been delayed due to opposition from the US Commerce and State Departments and the US trade representative.

The delay, which has surprised the Japanese carriers, is believed to follow US unhappiness over Tokyo's plans for telecoms deregulation and with the procurement practices of Japanese companies.

NTT, which will be allowed to enter international telecommunications markets within the next few years, was informed by the FCC that a licence to provide telephone and data transmission services, which it had applied for in January, would not be processed immediately, as expected, but would be subject to comments from interested parties, such as the US telecoms industry.

KDD, which had applied

for a licence to expand its international resale of leased line services originating in the US and to begin a resale of regular telephone line services in the US, was also informed that the licences would be delayed.

The FCC decision comes as Japanese carriers prepare to beef up international operations in response to growing global competition. It informed KDD at the end of January that it would win approval to expand its leased line services from the US relatively quickly.

"We are very surprised by the decision, which is extremely regrettable. It is unreasonable not to approve the expansion of a business that we have already started," a KDD official said yesterday.

Although neither company received an explanation from the FCC for the delay, other than to note there was opposition from the relevant US departments, Washington intends to target telecoms as a key trade issue between the two countries.

Last month, as the international community agreed in a landmark World Trade Organisation accord to liberalise telecoms markets, the US complained that Japan should lift curbs on foreign ownership in NTT and KDD, which has been kept at less than 20 per cent.

Lex Comment, Page 16

## Plea on Nafta trucking delay

By Nancy Durne  
in Washington

Senators from the states on the US-Mexican border are urging President Bill Clinton to resolve remaining obstacles preventing implementation of the long-delayed cross-border trucking provisions of the North American Free Trade Agreement.

At the behest of trucking unions, the US cited safety concerns and delayed the start of cross-border trucking, originally scheduled for December 1995. A second deadline, allowing buses freely to cross the border, was missed last January.

The senators, led by Mr John McCain, chairman of the commerce committee, wrote to the US president to complain about the administration's relative silence on the issue. They warned of "a widespread perception that an entire year was lost while other interests delayed the administration from achieving sustained progress on this issue".

Talks to resolve US safety concerns have been under way in a bilateral land transportation standards committee, which has been negotiating various technical matters in an attempt to open trucking trade. Currently, goods from the US must be unloaded at the border and transferred to Mexican trucks, with the process repeated for products going north.

The economic consequences have been incalculable, said a Mexican embassy official. Costs are higher and border congestion made worse. US-Mexican trucking alliances and fleet investments, which were planned before the impasse, have been put on hold.

Two months ago, the governors of four south-west border states wrote to President Clinton urging action on trucking. The complaint that the delay "robs the entire US-Mexico border region of the full economic benefits that Nafta promises". They have yet to hear from the president.

It was believed that the administration would announce a settlement on trucking before the departure from office of former transportation secretary Federico Peña. That did not happen, and momentum was lost.

However, a new opportunity for political pressure to drive events will arise when the president makes his scheduled visit to Mexico on April 11-12.

## STATE STREET ON CRITICAL FINANCIAL TRENDS



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Labour party lobbies leading employers over reforms to help low paid

## Opposition warned on wage plan

By Robert Taylor, Employment Editor

The main opposition Labour party is being warned by its own experts that a national minimum wage would do little to improve the position of the low paid or reduce inequality unless accompanied by a sweeping reform of in-work benefits and tax cuts for the poor.

The calculation by Dr Holly Sutherland, an economist at Cambridge University, will test the credibility of the leadership's commitment to the policy, which will not have a specific hourly amount attached for about two years. At that

time, Labour's proposed Low Pay Commission will report what the figure should be. She estimates that families on low incomes would receive as little as 3p for every additional 100p (£1.50) an hour in earnings, because a rise in their pay would be offset under the present system by tax increases and cuts in benefit. A family with one small child and one wage-earner working a 38-hour week would be only £1.05 a week better off on a minimum wage of £3.75 a week, and £1.72 a week better off if the minimum wage was the Trade Union Congress's figure of £4.30 an hour.

"These figures are devastating and show how little effect a minimum wage would have on improving earnings," said one union leader last night. Her assessment comes as Sir Ian McCartney, Labour's employment spokesman, is lobbying selected employers, such as Whitbread the brewer, and Northern Foods, which he believes are sympathetic to the plan. In a bid to counter Conservative claims that the plan would destroy jobs, add to employers' costs and shut many small businesses, Mr McCartney is campaigning for a public pledge of support during the election campaign.

He has written to solicit backing for a six-point set of promises. The final minimum wage plan has been approved by Labour leader Mr Tony Blair this week but the confidential recommendations are not planned for publication. The document argues that the national minimum wage must be seen as part of a wider "welfare to work" strategy involving changes in benefit and a rise in the marginal tax rates for the low paid to close the poverty trap. The business pledge for which Labour is seeking support promises the minimum wage will "be introduced in

a way which promotes the competitiveness of business and ensures fair competition". In a deliberate move to reassure business on the level of the wage, it says that the "decision on the level of the minimum wage will involve significant representation from members of the business community". They would participate in the Low Pay Commission, it says. The Labour party hopes that up to 100 companies will sign the pledge; so far, about 30 have done so.

Labour's first Budget, Page 14

## Manufacture of fast tractor picks up speed

Export demand underpins JCB's \$19.5m investment in factory

A farm tractor which is the fastest in the world could soon be rolling off the production line at twice its present rate, if plans by J.C. Bamford Excavators, the privately owned engineering group, come to pass. The Fastrac machine can zip around fields and roads at up to 80kph - at least twice the speed of conventional tractors - though it is likely to spend most of its time at a more sedate pace of about 50kph.

The vehicle's high speed is made possible by a novel suspension system, similar to a car's, which provides a comfortable ride even over bumpy terrain. JCB is spending £12m (\$19.5m) on a new factory at Cheddle in the English Midlands, and by 1999 the facility is expected to double its production of the 550,000 Fastrac machines from last year's 1,380.

The 150-strong workforce for fast tractor production is likely to increase by 20 or 30 during the next few years. More than half the current Fastrac production is for export. JCB says the use of its machines on farms can double the productivity of the average tractor driver. Tasks such as crop spraying could be completed in half the time which is possible using conventional tractors.

The investment in the fast tractors, which were first produced in 1981, is part of a plan by Sir Anthony Bamford, chairman and managing director of the company, to increase sales of the JCB group from about £750m last year to close to £1bn by 2000. Most of the expansion would come from increases in sales of the company's back-hoe loaders and related



Sir Anthony Bamford: pledges to continue spending heavily on new product development

construction machinery, for which it has become best known. JCB is the core manufacturing company of a group of interrelated businesses owned by transmissions and engineering services. This is a Dutch-based holding company in which Sir Anthony and his family are the shareholders. The JCB group's total sales have more than dou-

bled since 1992, with much of the expansion coming from exports. Sir Anthony promised "more of the same" with a continuation of the policy of spending heavily on new product development - an area in which JCB has invested some £100m since 1990. Tractors which use novel suspension systems to allow them to travel at high speed are among the fastest grow-

ing areas of the tractor industry. Other tractor companies which make such vehicles include Germany's Fendt, owned by Agco of the US, and Deutz, also of Germany and part of the Italian Same group. However, according to JCB, neither of these companies' vehicles can reach the top speed of Fastrac.

Peter Marsh

## Biotech sector shows strong growth

By Daniel Green in London

The growth of the UK's biotechnology industry will be underlined today by a report that shows the number of companies in the sector looking for new drugs has more than doubled in the past two years.

Employment in the sector has also doubled, but the numbers are too low to have had a significant impact on unemployment, according to a report from Arthur Andersen, the accountant and management consultant. However, the study warns the sector's continued growth depends on finding

an additional £1bn (\$1.63bn) of funding in the next two years. The industry also faces uncertainty over European Union patent laws for biotechnology, which are under review. The report says there were 221 UK biotech companies employing 10,590 people in 1996. Their total revenue was £700m. This includes those in agricultural biotech, drug discovery and diagnostics, as well as suppliers. The figures for the overall industry are up by about one third from 1994 and should grow another third by the end of 1998. Drug researchers are the biggest group,

with 78 companies employing 4,870 people. They "can match those in the US biotech sector", says the report. By market value, the five biggest UK companies match some of those in the US top 20; the five next largest match some in the US top 50. The biggest UK companies are British Biotech, Coltech and Chiroscience. They raised £1.1bn from investors in the 18 months to December 1996. Arthur Andersen suggests this will have to be repeated over the next two years to pay for research and development and "strategic acquisitions". The report says the sector

should not be seen as likely to generate many new jobs, but as offering "greater wealth creation potential as a means of enhancing competitiveness across a wide range of industries". The growth is the result of several factors: easier access to capital through venture capital funds; changes in stock exchange listing rules; the creation of the Alternative Investment Market and Easdaq, the European market run in the same way as Nasdaq, the US computerised exchange. Greater government commitment to biotechnol-

ogy through grants and awareness-raising programmes. Better links between academic and commercial science. Outsourcing of research by drugs companies. The creation of the European Medicines Evaluation Agency, which approves drugs for the EU. Biotech companies not involved in drug development grew more slowly between 1994 and 1996. In agricultural biotech, the number of companies rose 41 per cent and in diagnostics 25 per cent. The number of suppliers fell 9 per cent.

Rates for electricity demanded for the generation of the electricity supplied to the customers (average annual rates)									
Peak rates for electricity supplied to the customers					Flat rates for electricity supplied to the customers				
Peak rates for electricity supplied to the customers					Flat rates for electricity supplied to the customers				
Year	1996	1995	1994	1993	Year	1996	1995	1994	1993
1970	15.07	11.85	12.82	12.82	1970	15.07	11.85	12.82	12.82
1971	15.07	11.85	12.82	12.82	1971	15.07	11.85	12.82	12.82
1972	15.07	11.85	12.82	12.82	1972	15.07	11.85	12.82	12.82
1973	15.07	11.85	12.82	12.82	1973	15.07	11.85	12.82	12.82
1974	15.07	11.85	12.82	12.82	1974	15.07	11.85	12.82	12.82
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1994	15.07	11.85	12.82	12.82	1994	15.07	11.85	12.82	12.82
1995	15.07	11.85	12.82	12.82	1995	15.07	11.85	12.82	12.82
1996	15.07	11.85	12.82	12.82	1996	15.07	11.85	12.82	12.82

Tough budget recognises demands imposed by a return to world economy

## South Africa relaxes forex curbs

By Roger Matthews  
in Cape Town

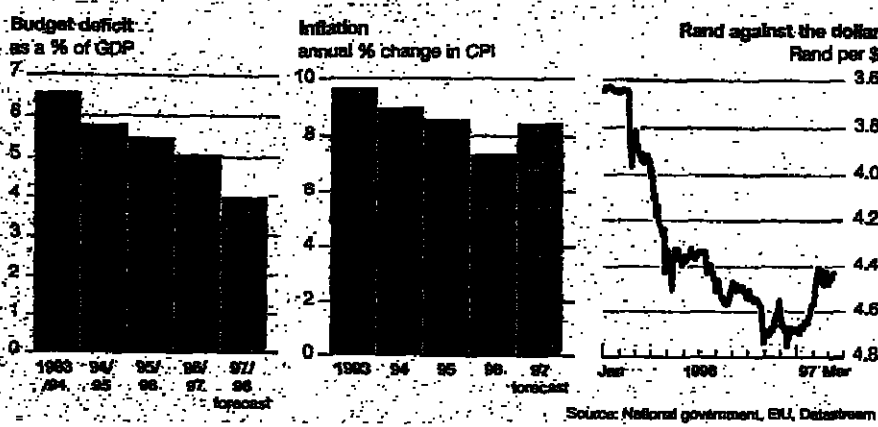
The South African government yesterday announced a further modest relaxation of foreign exchange controls in a budget described by Mr Trevor Manuel, the finance minister, as evidence of its determination to achieve greater social justice while living within its means.

From July 1, South Africans will be able to invest an unspecified proportion of their capital overseas, or to hold foreign currency in domestic banks. South African companies will also find it easier to invest abroad and to raise foreign loans.

The announcement disappointed business leaders and economists who wanted the immediate abolition of all exchange controls, but it offers the first opportunity for the government to gauge the potential demand by individual South Africans for foreign currency. "It is a way of testing the water," an official said.

Mr Manuel stated at a pre-budget briefing that he expected the initial allowance to be modest. "I do not expect there to be a big

South Africa: background to a cautious budget



surge of capital out of the country after July 1," he declared.

Travel allowances for individuals have also been raised while companies will be able to transfer up to R90m (\$6.8m) to fund new projects in approved countries, and to raise foreign loans on the strength of their balance sheets rather than on assets held overseas.

Investments of up to R50m will be permitted in members of the Southern African Development Community, the economic grouping of southern African states.

The government's recognition of the demands imposed by rejoining the world economy were also reflected in its commitment to fiscal discipline.

Mr Manuel, the first member of the ruling African National Congress to hold the finance portfolio, said the current budget deficit target of 5.1 per cent of gross domestic product had been met, to be further cut to R24.4bn, or 4 per cent of GDP, in the financial year beginning on April 1.

Spending is fixed at R188.7bn, an increase of 6.1

per cent, while Mr Manuel expects an inflation rate of 6.5 per cent. "This is a tough budget," he said. "It demands substantially more austerity from government than many of its forerunners, yet it does not sacrifice the fundamental objective of transformation."

But even with this reduction in the deficit, Mr Manuel said 24 cents from every rand collected went on servicing government debt, "a situation that is both untenable and unsustainable."

Several government departments will have their

allocations cut in real terms, especially defence, but there are significant increases for housing, and for the police service struggling to contain the surge in crime.

There is also tax relief for the poorest and lower-middle wage earners, and some compensation from the impact of inflation through raising thresholds. Mr Manuel held value-added tax at 14 per cent, but predictably imposed stiff rises on tobacco and alcohol taxes, and raised the cost of company fringe benefits.

Foreign exchange markets reacted favourably, the rand strengthening to close at R4.42 against the dollar in Johannesburg. Mr Raymond Parsons, president of the South African chamber of business, said he was pleased by the easing of foreign exchange curbs, but disappointed by the absence of a greater commitment to privatisation, on which Mr Manuel said nothing new.

No proceeds from privatisation have been included in next year's revenue forecasts, but some benefits are likely to accrue from the impending sale of 30 per cent in Telkom, the monopoly supplier of fixed-line services.

## Shadow over global accounts code plan

By Jim Kelly,  
Accountancy Correspondent

Mr Dennis Beresford, chairman of the US accounting standards board, has played down expectations that world stock market regulators will be able to endorse a common global financial reporting code early next year.

While the Securities and Exchange Commission will cast the US vote on endorsing the standards - being written by the International Accounting Standards Committee - Mr Beresford's views will carry significant weight.

His comments increase the chances that the project might be postponed to later in 1998 or that a switch will be agreed whereby the committee's standards are offered for endorsement on a piecemeal basis.

Sir Bryan Carsberg, secretary general of the committee, has repeatedly said the core standards project can still make the deadline and that he is confident they will compare with the US code in quality.

But in a series of pointed remarks about the ambitions

of the committee, Mr Beresford said the deadline for agreeing a set of core standards was "unrealistic".

He said progress towards global harmonisation would be incremental. "It's kind of a carrot that's held out in front of the committee, and perhaps others as well, but they don't ever get any closer."

But his remarks will be seen by some as an indication that the US standard setter - a supporter of global harmonisation - sees the pivotal role being played by the committee as a threat to its own pre-eminent position in global financial reporting.

The committee has been charged with coming up with a set of core standards by IOSCO - the club of leading stock market regulators - which it endorsed would be available to companies seeking foreign listings. The agreement of US regulators is fundamental to the success of the project.

Although Mr Beresford recognised that the SEC was under political and commercial pressure from stock markets to accept the standards and encourage new

foreign listings, he was "convinced" it would primarily seek to protect shareholders.

He said the SEC would have to consider the repercussions of endorsement for US companies. "If Daimler-Benz and Toyota can file under international standards in New York why shouldn't General Motors or Ford be able to do the same thing - particularly if they perceive that the standards are more flexible and give more latitude?"

He said that Sir Bryan had been wrong to imply that the support of the SEC for its core standards project was "a done deal". He said significant problems remained with the core standards and the due process of the committee. Sir Bryan has repeatedly defended the quality of the committee's standards.

Mr Beresford, chairman of the Financial Accounting Standards Board, was also sceptical about claims that the harmonisation project would make national bodies such as the US board redundant. He said Sir Bryan's project relied on others to do the work.

"Who would they copy?" he asked.

## Moroccans take heed of Algerian war

Roula Khalaf on concern over the rise of Islamist movements

Morocco's recent crackdown on Islamist students has renewed concern about the rise of political Islam in a country neighbouring Algeria, where Islamists and security forces have been locked in a bloody struggle for more than five years.

Yet in Morocco, Islamists and government prefer to view the crackdown as a slip - rather than a breakdown - of their complex relationship. If the war in Algeria is on everyone's mind, it is because it offers terrifying but valuable lessons to be learned.

While Morocco's Islamists profess their adherence to non-violent struggle and say they are in no rush to play a significant political role, King Hassan has chosen to deal with them through a combination of tolerance and selective repression.

Islamists point out that leaders of al Adl wal Ihsan (Justice and Spirituality), the largest and more radical of the two main Islamist movements, were not arrested in the recent crackdown, although students rounded up belonged to the organisation.

Morocco's Islamists believe that political Islam in Algeria, personified by the Islamic Salvation Front (FIS), failed to attain its goal because it sought to destroy the regime and made clear that the rulers would pay for oppressing the population. The FIS's appeal led it to overestimate its strength and underestimate the resilience of the system it fought.

After the FIS won the first round of legislative elections in 1991, the Algerian army stepped in to cancel the poll.

In Morocco, Islamists are aware of the power of King Hassan and know that the time is not ripe to upset the country's delicate political balance.

"If all Islamists joined together and were allowed to compete in elections, we might win," says one Islamist leader. "But what would be the point, the government would cancel the elections."

Morocco's Islamists use whatever opening the king allows to spread their message for a return to Islamic values. Although Sheikh Abdelsalam Yassin, the leader of Justice and Spirituality, is under house arrest, he is allowed to publish his books on Islam. Tapes and video cassettes of his teachings are also distributed by his supporters.

Other Islamist organisations have newspapers and are allowed to work on "Islamising" society - with some success. However, the government tempers their political strength by preventing them from preaching in mosques or holding large public meetings.

King Hassan has chosen the middle ground in dealing with Islamists. As Algeria shows, severe repression

risks radicalisation, especially when political and social problems abound.

Meanwhile, the Algerian experience of 1991 suggests that total tolerance of Islamist movements in a sometimes spiritually disoriented, and economically and politically deprived society would see mass support for the movements.

Justice and Spirituality is seeking acceptance as a political party, a move the government is not ready to consider. However, the Movement for Unification and Reform, created last year by the merger of two more moderate associations, has been allowed to take over a small existing party. Many suspect the government is happy to promote Unification as a rival to Justice and Spirituality.

But the delicate relationship between government and Islamists can become increasingly complicated.

As Islamists slowly filter their ideas into Moroccan society and expand their support, King Hassan faces the challenge of pushing forward both political and economic reforms to alleviate inequalities and allow other parties enough room to take up the cause of the masses.

**'In this country there is no change. There is only evolution'**

His dilemma, however, is that a real opening of the political system will require a greater acceptance of the political role of Islamists, including that of Justice and Spirituality.

The crackdown on Islamist students came as the king and the secular opposition were enjoying a period of détente, which is why few voices were raised to denounce the students' repression, which started in Casablanca in January then spread to universities in other towns. The king has promised fair and free local and legislative elections this year - the country's first transparent poll - in an attempt to reform the political system and create strong institutions to manage the country while keeping the monarchy as the ultimate arbiter.

Mr Fathallah Arsalan, spokesman for Justice and Spirituality, says the entente between the king and the opposition is proof that Moroccan politics still leaves no room for real opposition. For other Islamists, however, it is simply a sign of the way Morocco works - and the way they should operate. "In this country, there is no change. There is only evolution," says Mr Abdellah Benkirane of Unification and Reform.

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## TECHNOLOGY

A ceramic plunger can help reduce oil extraction costs, says Andrew Baxter

# Pigs swallow drilling costs

It looks like a length of ordinary steel tube. But what is that mysterious bulge running through it rapidly, stripping off the external paint and expanding the diameter by 20-30 per cent as it goes?

The bulge is a "pig," not of the mammalian variety but a ceramic plunger that is being pushed through the tube at as much as 100ft (30m) a minute. It is the latest idea from researchers at Shell International Exploration and Production (SIEP) for reducing the cost of drilling for oil.

The profile of a traditional well looks a bit like an elongated telescope. Typically, drilling stops every few hundred metres so that a batch of steel casings joined together to form a "string" can be inserted and cement pumped into the gap between the string and the hole wall.

Obviously, the next casing string has to fit through the previous one. So drilling might start with a hole 28in wide, yet the final production tubing might have a diameter of just 3½in.

But what if the casing were expandable, and was also available in reeled form, avoiding the need to joint hundreds of 10m-12m long sections together? You could

**A critical, and so far secret, element in the pig's design is "angle alpha"**

then start with a 10in top hole, says Bruce Stewart, principal research engineer at SIEP's Rijswijk R&D centre in the Netherlands. The amount of material to be excavated would be reduced

by 75 per cent, he says, sharply reducing the cost of existing drilling jobs and making old reserves more economically viable - an important priority for the oil industry.

There would also be environmental benefits, as fewer rock cuttings would have to be disposed of, while less mud would have to be pumped down the hole to lubricate the drillbit and carry the cuttings away. "It's not pie in the sky to imagine running a 4in tube into a well, expanding it to 6in and then running a 4in tube through the expanded section to continue downwards. This would lead to well designs with only one hole diameter and one casing size from top to bottom," says Stewart. "It could come about."

Shell experimented with expanding solid steel tubes in the late 1980s, but used



ordinary oilfield tubulars, which lacked the ductility to survive being stretched without bursting. In January last year, encouraged by work on expanding slotted tubes, it decided to have another try.

This time, though, it asked steelmakers mainly in France and Japan to supply tubes that have both high tensile strength and ductility. Fortunately, this is exactly what the auto indus-

try wants too, says Stewart, and expensive or special steels are not necessary.

Shell began by looking at pushing steel pigs through the tubes, but the two steels tended to weld together. It then turned to hard-wearing ceramics used in industries such as cold forging. Its latest pigs are made of solid blocks of zirconium oxide, a specialist ceramic material, built around a steel base. The pig would be propelled

through the tubes either mechanically or by pumps on the rig. As the tubes' diameter expands, the steel gets thinner, but its resistance to bursting rises because it is a "work-hardening" grade. A critical, and so far secret, element in the pig's design is "angle alpha" - the slant on the side of the pig that pushes the steel tube outwards.

SIEP has already filed patents on the process, and there is strong pressure to get it into the field in the next few months, says Stewart. So far, the widest tube expanded had a diameter of 6in, or 8in after the pig was pushed through, but the tubes and the pigs could be wider, says Stewart: "Although the forces would be higher, the pressures to pump the pig would be less."

In the field, the process would be impractical, if not impossible, unless the steel tubes could be run off a reel on the drilling rig or drill ship. Fortunately, over the past five years, coiled tube drilling has been introduced widely into oil exploration - Shell alone has about 100 such operations worldwide. Drilling with small-diameter continuous tubing can save operators a great deal of time and transform the economics of exploiting small or difficult to reach fields, or those getting towards the end of their life. Although large reels pose some logistical problems,

they take up much less space on the rig than all the conventional equipment for lifting and inserting pipe sections into the hole. And the properties needed to coil tube without bursting it are much the same as those which make it expandable.

At present, though, the widest diameter tubing that can be coiled is 4½in, says Taco Hoekstra, SIEP's research engineer for reeled systems technology. Coiled tubing like that has already been used for production tubing, but it is not yet possible to coil tubing for casing the hole, although Shell is working with the steel industry on this.

Ultimately, Shell believes, there could be a further twist - dropping steel tubes altogether for specific applications. It has been exploring the feasibility of drilling a mono-diameter hole and using tubes of a lightweight composite material made of

glass fibres in an epoxy-resin matrix. These could be spooled onto much smaller reels, which is important for land transportation.

The tubes, which could be as long as 2km, would be lowered into the hole in collapsed form and then injected with a pressurised fluid, expanding them to a diameter of as much as 13in. An electric current would then be passed through, generating heat to cure the tubes.

Testing is still in its early stages, however, and Shell says the process in its present incarnation would not be suitable for all wells. The composite tubing cannot be lowered into highly deviated holes, and the resin used in the composite material degrades at temperatures of 100°C or higher. The price of the composites is also a stumbling block, making it initially attractive only for some niche applications.

## Fast forward to model stage

A new approach to rapid prototyping - which enables product developers to build solid models quickly from their on-screen designs - has been developed by Kira of Japan.

The process uses proven laser printing technology to convert automatically a computer model of a component into a solid model, using sheets of ordinary paper.

The Kira machine resembles a very large computer-controlled photocopier. It uses standard A3-size photo-copier quality paper. As with a photocopier, it takes one sheet at a time and applies toner to a selected area of the paper. This corresponds to one particular cross-section or layer of the model being built.

Instead of appearing in the output tray, the sheet is then assembled on top of others to create the solid model. The sheets are pressed together at a temperature which melts the toner's resin powder, effectively glueing the sheets of paper together. Once each sheet has been

pressed onto the block, a tiny blade cuts around the contour of the area covered by the toner. It also makes additional cuts to help the designer separate the completed model from the excess paper around it.

The resulting model has the consistency of wood and can be used as a pattern to generate additional samples in plastic or metal materials.

The most widely used RP technology was developed in the late 1980s by 3D Systems of the US. Its process uses a laser selectively to harden layers of liquid resin.

But Kira says its equipment, which is being marketed in the UK at just under £100,000, costs less than half that of the laser/resin method, and is more suited to an office environment.

So far, it has been used only in Japan, for modelling products ranging from cameras to paintbox computers and car components.

Anna Kochan

## Worth Watching

Vanessa Houlder



### Micro makers copy from nature

The scope for making microcomponents on a minute scale is limited when using conventional techniques such as photolithography. So scientists are trying to mimic the molecular self-assembly techniques used in nature.

Scientists at Harvard University in the US have moved a step in this direction by showing that millimetre-scale plastic components can assemble themselves, according to a report in today's Nature magazine.

They applied a thin film to the surfaces of the components that made parts of them repulsive to water. Once in water, these surfaces stuck to other water-repulsive surfaces with a complementary shape. The components that assembled themselves in this way could be "glued" by using a light-sensitive polymerisable adhesive as the film and finally subjecting it to ultraviolet radiation.

The shapes made in this way included small "doughnuts", "footballs" and tetrahedron-like structures. The researchers believe the same techniques could be used to make even smaller structures.

Harvard University: US, tel 617 495 9430; fax 617 495 9387.

### Structure of fungi discovery

Fungal diseases are an increasing problem, not least because they have become more and more resistant to common drugs. But scientists in the US have made a discovery about the structure of certain fungi which might open up new treatments.

Researchers at the University of Georgia and Purdue University have shown that fungi with long,

threadlike filaments contain "scaffold" proteins called septins. In at least one fungus, the gene controlling production of septins is crucial to its survival.

The scientists believe the septins play an important role in cell wall assembly, making them a potentially suitable target for drugs. Because human cells do not have walls, drugs that interfere with cell wall synthesis are less likely to be toxic to humans.

University of Georgia: US, tel 706 542 3014; fax 706 542 1805.

### Keeping light aircraft apart

The danger of mid-air collisions between light aircraft could be reduced by a low-cost warning system that has just undergone initial flight trials.

The system works by detecting another aircraft's strobe lights and warning the pilot. It comprises 12 solar cell detectors fitted to the wings and tail, and a cockpit processing and display unit. It can detect other light aircraft within a range of at least 1km. The prototype was designed and is being evaluated by Smith System Engineering, a UK consulting firm, under contract to the UK Civil Aviation Authority.

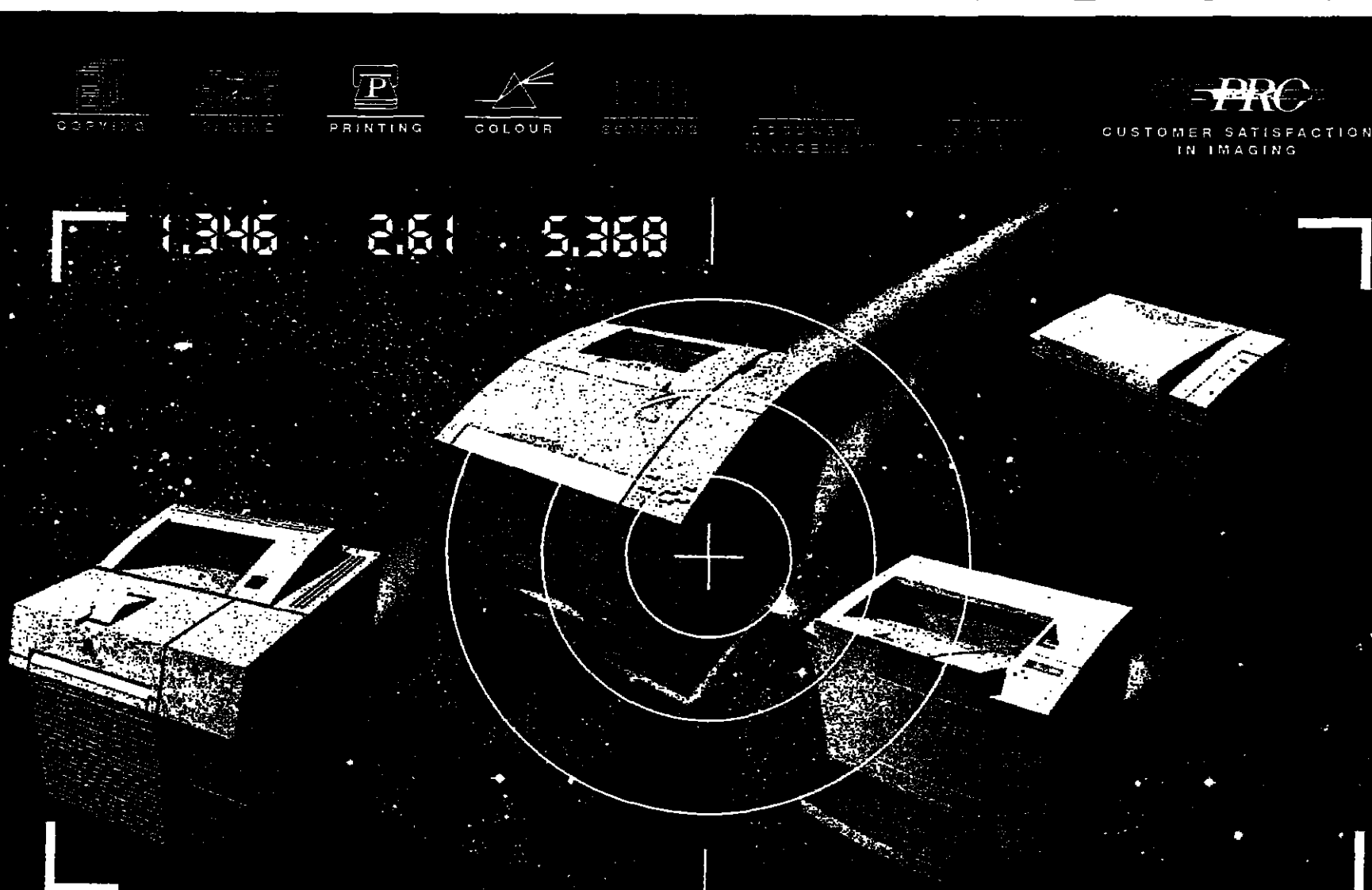
Smith System Engineering: UK, tel (0)1483 42800; fax (0)1483 428144.

### Translate at the touch of a pen

The IRISPen is a pen-sized scanner that can recognise text, barcodes and handwritten numerals. A new version that can offer two-way translations, via a PC, between English and French and English and German is about to be launched by Iris, the Belgian company that devised the product. This device, which will also be able to translate Japanese text into English, will cost about £975,000 (£264).

The company also plans to launch an accounting version suitable for capturing data on purchase invoices and handwritten cheques. This version, which will cost about £300, is expected to become available in a few months.

IRIS: Belgium, tel 10451366; fax 10453443.



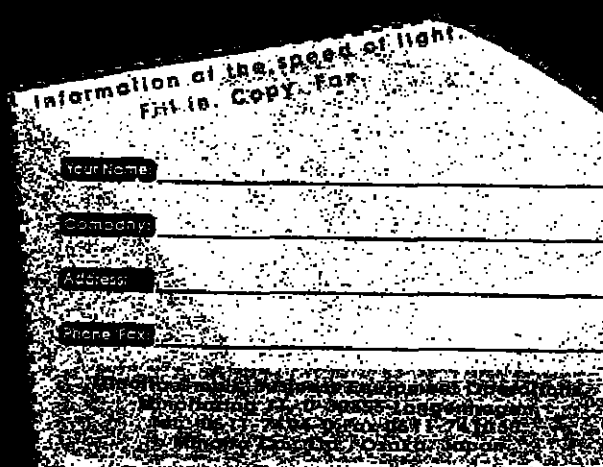
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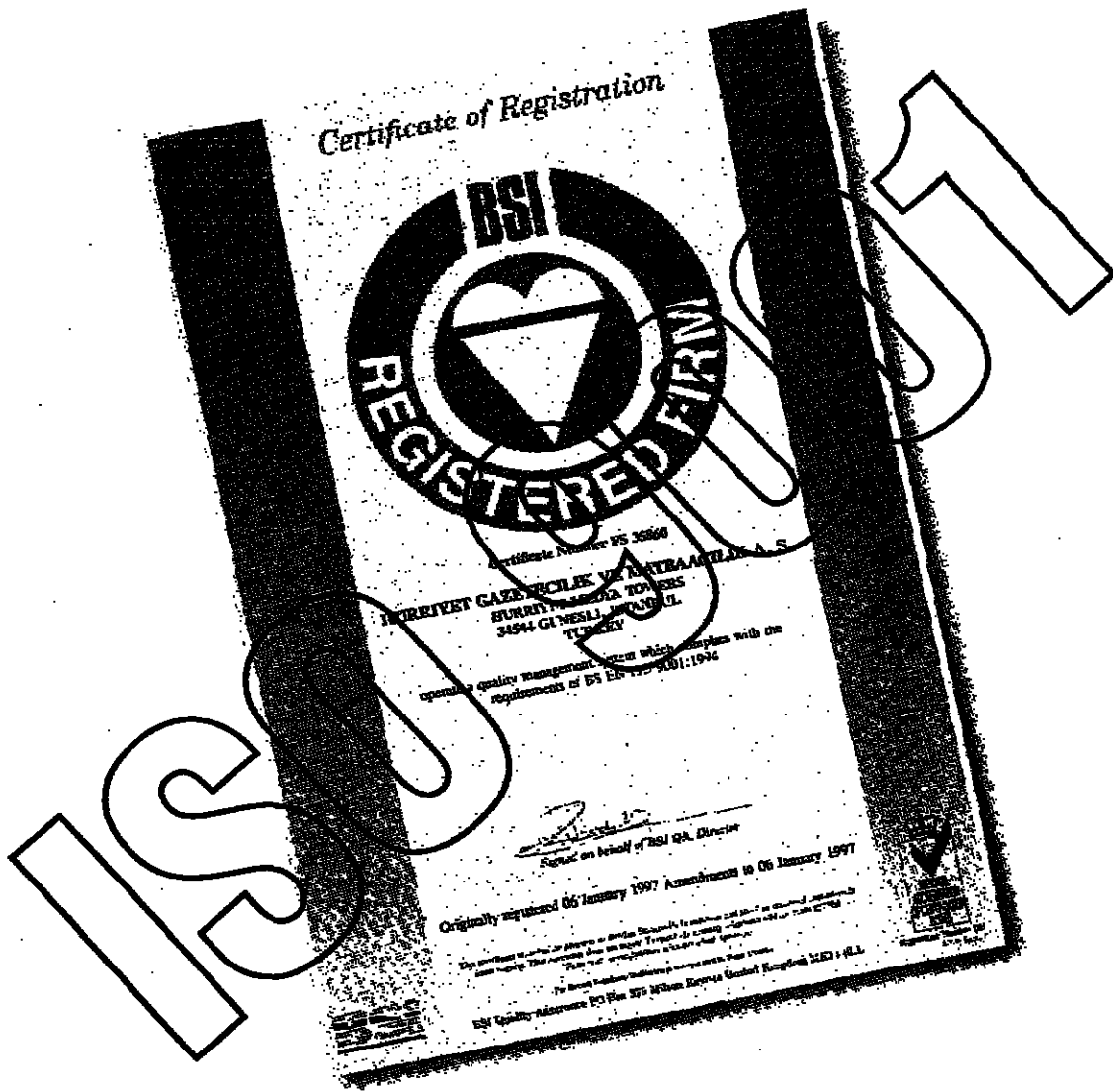
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## ARTS

Cinema/Nigel Andrews

## Class act for a sandblown haiku

There are certain vital requirements before Hollywood's Academy will bestow a British film with Oscar nomination. It must be set in the twilight years of the Empire; it must tell of endurance and impossible odds; it must be high, wide and handsome, as if David Lean has risen from the grave to act as ghostly mentor.

Even with all that, Anthony Minghella's film *The English Patient*, a project rejected by each major Hollywood studio in turn, must have seemed a wildly improbable enterprise. *Gandhi* it isn't, nor *Chariots of Fire*; one could sum up their triumphalist plots on a postcard. But think of the moguls nodding patiently as Minghella pitched this story. "We begin with an English-Hungarian Count burned beyond recognition in a North African plane crash, who while being tended in Italy by a French-Canadian nurse who's involved with an American spy but is falling in love with a Sikh sapper flashbacks to his own passionate affair with the wife of an English explorer who crashes his own plane before... Hullo? Mr Mogul?"

The mogul is asleep, out of the room, or has turned to read the latest Stallone script.

Ondaatje's novel presented the story as a virtual reverie. But you cannot do that on the large screen, not if you want to sell popcorn. So Minghella, even under the enlightened sponsorship of Miramax (*Pulp Fiction* and *Co.*), stretches this sandblown haiku about love, jealousy, nationhood and self-destruction into a kind of linear coherence. Over 2½ hours we fall in step with the beautiful, preposterous session between Ralph Fiennes's lark-browed Anglo-Magyar matinee idol, all sunken eyes, sunken out and Olivier's vocal inflections, and Scott-Thomson's sandblonde siren with her crystal leucocyte accent, wry edge-of-glede demeanor and cheekbones o die for.

These two actors/characters have driven Hollywood wild with their classiness. When trapped in jeep by a sandstorm, they swap tales of famous winds from Herodotus. They make love amid bl-

lowing curtains or mosquito netting. And they keep getting lost in dunes, caves or wadis, shot by John Seale (of *Witness*, *The Mosquito Coast*) with a gorgeous instant colour-wash as if he has been told, "Please do David Lean on the production's beer money."

The other story is a dullest dog by comparison. In a daylight-blanching ruined villa, nurse Juliette Binoche ministers to the cinder Mr Fiennes, whose make-up resembles a werewolf with leukemia. Meanwhile she challenges taboos and frontiers in her own romance with a Sikh sapper defusing officer (Naveen Andrews). A main strand in

THE ENGLISH PATIENT  
Anthony Minghella

THE EVENING STAR  
Robert Harling

MOTHER NIGHT  
Keith Gordon

BOUND  
Wachowski brothers

Ondaatje's book, this seems a loose thread here. "Okay, Anthony," (the miscgenation-wary moguls might have said), "we'll give you the desert, the Euro-lovers and the existential subtexts. But we'll soft-pedal any sweet music, please, between the girl and the bomb wallah."

So Binoche-Andrews is a virtual non-event. And the scenes between Binoche and interloping spy Willem Dafoe are like awkward pointing in the brickwork: explanatory mortar slapped between the rich, ruddy brickwork of the main romance. They tell us why Fiennes himself might be a spy, what he was doing if anything in Tobruk and - oh but who cares. It is as if someone has stitched scenes from *Ice Cold in Alex* into Sternberg's *Morocco*.

At its best *The English Patient* is that class. If Minghella's debut feature *Truly, Madly, Deeply* was overrated - a *Ghost* for the NWS set - this movie is a quantum leap towards cinema's potential for magic. With great shrewdness it makes a virtue of

today's co-production climate by telling a story about language, division and cultural bewilderment. And with great timeliness, at a moment when sex in the cinema is undergoing intensive care thanks to HIV and other crises, it gives us grand, mysterious, loopy passion.

This is the kind of love that leaves characters dying gorgeously in caves or enacting Icarus leaps in flaming planes from heaven to hell. And it is the kind of love that seldom dares to speak its name in cinema, except when allowed a wall-to-wall romantic iconography and that special British gift for button-tipped apocalypses of the soul.

*The Evening Star* is about the kind of love that curls on the plate before you have lifted it to your mouth. Can you imagine *Terms of Endearment*? Can you imagine Shirley MacLaine muttering, over two hours, from an auburn-rinse pixie to something like Ray Walston in drag? And then dying beautifully, as her ex-convict grandchild and other hitherto rebarbative relatives melt in tears before our eyes?

If you can, then you are truly far gone as a film buff. You might even enjoy this film, written and directed by Robert Harling with the schmaltz he had left over from *Steel Dawn*. This is a movie where not even the housekeeper must be denied her radiant death scene, where MacLaine can complain of loneliness in a house that seems like Grand Central Station, and where Jack Nicholson, stealing in for a late cameo, has his eyebrows at half-mast as if to indicate respect for the general meekness.

Surely writers like Alan Bennett have taught us that art about old people can be as stringent as well as affectionate, funny as well as sad? At the press show of *The Evening Star* the audience was in a state of giggles at several scenes, but not, I believe, in any way Harling intended.

Nick Nolte is a Nazi - or does he only pretend to be? In *Mother Night*, based on Kurt Vonnegut's novel, he plays American espionage's answer to Lord Haw-Haw: an émigré writer whose propagandist broadcasts from Berlin



Juliette Binoche as the nurse: her romance with a Sikh is soft-pedaled in *The English Patient*

contain coded messages for the Allies. But since his mission is top secret, who will know that he was "one of us" once Roosevelt and company die?

The novel, trading plausibility for tragic-satirical point-making, is essentially an allegory; which means that we believe it from side on. The cinema hates allegories, being front-on and photographic, so we never believe Keith Gordon's movie at all. Though Nolte growls, agonises and screws up his piglet eyes, this is an actorly performance in an uneasy, attitudinising

film. Sheryl Lee, Alan Arkin and John Goodman also behave as if they have just stopped holding scripts in their hands. And Gordon's bid to be "cinematic," with alterations between colour and monochrome, suggests a man anxiously laying a choice of carpets over the hole in the ground where reality should be.

I have just caught up with *Bound*, which slipped through my grasp recently. Buffeted by colleagues' reviews claiming that it is (either) one of the best things since the Coen brothers (or) a cheap exploitation thriller

filled with violence and lesbianism, I can now confidently venture my own opinion. It is both.

I see no honest reason why we should not be treated to the sight of two Sapphic mixers (Gina Gershon, Jennifer Tilly) caught up in carnal passion between bouts of cheating and murdering Mob members, including Tilly's husband Joe Pantoliano; at least when the plot is as ingeniously worked out as this and when the Wachowski brothers, working on a pittance, have so keen an eye for the surreal, acrobatic brinkmanship of the good thriller.

A showstopper. Among the three suitors, Adrian Dunbar makes most headway as the toughest who wins Liza. As her lover, Paul Shelley works too hard; as the handsome hunk, Steven Edward Moore sings and acts like a clone. Hugh Ross is excellent as the shrink, and Charlotte Cornwell confers on Liza's assistant Maggie (an Eve-Arden-type role) an ideal mixture of cynicism, stylishness, concern and warmth. Zambello has directed the show in much the way that Friedman performs the title role: as various kinds of artificiality. The analysis sessions, dream scenes, and office scenes are all, in different ways, over-choreographed, trite, bogus. The dances - by Quinny Sacks - are largely doll-like and expressionistic. Neither the girl announced as Liza's prettiest classmate nor the line-up of suitors proclaiming ardour for Liza are convincingly cast.

In National Theatre repertory at the Lyttelton Theatre, South Bank. Sponsored by the Mackintosh Foundation.

## Concert

## Three Slava projects

The sparse turnout for Tuesday's concert at the Barbican was the price the London Symphony Orchestra had to pay for breaking the box-office on the other four nights of its Mstislav Rostropovich 70th birthday series. Rostropovich conducting Shostakovich or playing Dvorak is one thing; championing little-known works by Walton, Lutoslawski and Schnittke - all commissioned while he was music director of the National Symphony Orchestra of Washington - is another. It is brave of the great Russian cellist to continue nurturing these pieces, and equally brave of the LSO to group them into one uncompromisingly short programme.

I wish I could say that good intentions were rewarded. In truth, this concert was rather depressing because two of the three works were portraits of admired composers in their dotage. The fact that the LSO had little opportunity to sparkle, and seemed unusually hesitant in some of its entries, was a further dampener. Rostropovich's heart may be in the right place, and the orchestra clearly loves him, but someone should have realised that three Slava commissions do not on their own constitute programme-logic.

The three were Walton's *Prologue e Fantasia* (1981), Lutoslawski's *Nocturne* (1979) and Schnittke's *Sixth Symphony* (1993). The Walton - his last composition - projects little sense of ideas kneaded, worked through or developed; but for the gift of Waltonian energy at the start of the *Fantasia*, the piece would make a good advert for creative block.

The similarity of mood between the Schnittke symphony and some of Shostakovich's later works may explain why it alone carried the full force of Rostropovich's conviction; he understands and identifies with the idiom, his raised fist at the brass perforations reflecting the music's futile attempts to escape its desolate landscape. Written after the onset of Schnittke's illness, this symphony bears all the hallmarks of his creative wounds: the argument stumbles along in feeble, fragmentary monosyllables, worlds away from the composer's explosive, polystylistic zenith; and the parcelling of gesture among isolated orchestral sections makes the going extremely ponderous. Into this halting, Hölderlin-like frame, *Nocturne* bursts like a ray of sunlight. Lutoslawski composed it during a fallow period in his work on the Third Symphony, and it bears many of the work's stylistic devices, including an arresting gesture at start and finish. What impressed was not just the accessibility-without-compromise that characterises so much of Lutoslawski's later output, but the apparent spontaneity of utterance within a meticulously organised plan. In less than 20 minutes, *Nocturne* speaks volumes about musical texture, layers of meaning, lyrical sensation, orchestral dialogue. It alone proved worthy of Rostropovich's septuagenarian celebration.

Andrew Clark

The final Rostropovich 70 concerts are tonight, Sunday and Tuesday March 25.

## Theatre/Alastair Macaulay

## Legendary lady with a synthetic touch

The National Theatre's new production of the 1941 musical *Lady in the Dark* doesn't work. It is not disgraced, and since productions of *Lady in the Dark* are few and far between, anyone with an interest in musicals will be interested to see this one. But it is not delivered by believers.

This show has long been legendary. It brought together psychoanalysis, Gertrude Lawrence (star), Kurt Weill (composer), Ira Gershwin (lyricist), Moss Hart (author), a woman's quest to find fulfilment in career and/or love, and Danny Kaye (show-stopping new talent in supporting role).

The main reason why *Lady in the Dark* has seldom been seen since the 1940s, however, is that it is less than a great musical. Gershwin's lyrics are first-rate, but Weill's music is variable. And Hart's basic story is weak. Liza

Elliott, magazine editor for ten years, suddenly finds herself in trauma. She has to choose. Will she marry her current lover (a married man who at last is getting a divorce and plans to marry her)? Or marry instead a knock-out movie-star hunk?

Alas, you don't need much experience of schlock to know that she will choose neither, because there is a third man on the scene who keeps debunking her and calling her "Boss Lady". And, as in a thousand women's movies, where there is a guy with irony enough to challenge our heroine's splendid facade, there our vulnerable heroine's heart will eventually go pit-a-pat. You don't have to be feminist to distrust this show. All three men pursuing Liza are blank formulas. The more you contemplate them, the more you worry why Liza wastes time on any of

them. The only guy around with some dimension to him is a petulant pout. And Liza's supposedly wise shrink insists on equating her womanhood with her need to be found beautiful and vulnerable.

So *Lady in the Dark*, to succeed, needs very particular treatment: that the National Theatre staging, starring Maria Friedman, directed by Francesca Zambello, does not deliver. Friedman has some fascinating contrasts to her - some meltingly soft singing and some defensively tight vibrato, a pug nose and a bulldog chin - that are right for Liza Elliott. But she keeps performing as if she were interested in artificial stardom rather than sincere artistry. When speaking to the shrink, she sounds noble, wronged, pious. When singing in her dreams, she sounds brassy, ingratiating.

Ninety per cent of her performance, including the American accent, feels synthetic. Nobody would be surprised to find you. The first time she hums "My Ship", with her eyes shut, is the most moving thing in the show; it feels, unmistakably, like the first thing to come from beneath surface level. It cannot help that she and everybody else are given horrid costumes throughout by Nicky Gillibrand: dowdy, ill-coloured, ill-cut. Liza is meant to look severe in her suit; she merely looks drab, even more so when she puts on supposedly glamorous gowns.

As the histrionic office queer, James Dreyfus has some funny moments; but his general sourness makes the role appear to have been conceived by homophobes. He is not showman enough to show why "Tchikowsky", with Danny Kaye, was



Artificial stardom: Maria Friedman

## INTERNATIONAL ARTS GUIDE

## AMSTERDAM

CONCERT  
concertgebouw Tel:  
1-20-6718345

Nederlands Kamerorkest: with conductor Harburt Haenchen and soprano Alexandra Coku perform works by Schreker, Schoenberg, Schubert and Mahler; Mar 15, 18  
Rotterdam Philharmonisch: with conductor Valery Argiev and violinist Lella Sestowicz perform works by Stravinsky, Mendelssohn and Schumann; Mar 15

## EXHIBITION

JKS Museum Tel:  
1-20-6732121  
Reflections on the Everyday - Dutch Genre Prints from the 16th to 17th century. In the late 15th century, woodcut artists and engravers began portraying scenes of everyday life in prints. Notorious couples, farmers on air way to market, groups of peasants; scenes such as these are especially popular in the 17th century. This exhibition

provides a survey of the genre prints with works by van Leyden, Rembrandt and van Ostade accompanied by some lesser known prints by their contemporaries; to May 4

## BARCELONA

CONCERT  
Palau de la Música Catalana Tel: 34-3-2891000  
● Radio-Symphonie-Orchester Frankfurt: with conductor Pinchas Zukerman perform works by Beethoven, Mozart and Dvorák; Mar 17

## BERLIN

DANCE  
Deutsche Oper Berlin Tel: 49-30-3438401  
● Ballett der Deutschen Oper Berlin: perform "Paquita" to music by Minkus, choreographed by Vinogradov (after Petipa). "Concerto" to music by Shostakovich, choreographed by MacMillan and "Onegin" to music by Tchaikovsky and Stolz, choreographed by Cranko; Mar 14, 16

## BRISBANE

POP-MUSIC  
Entertainment Centre Tel: 61-7-3285-8111  
● Tina Turner: performance by the American rock singer; Mar 14, 15

## BUDAPEST

EXHIBITION  
Hungarian National Gallery Tel:

36-1-17575333  
● Magnificent anime mea dominum: display of fine art from the late Gothic period, with the restored panel painting "The Visitation", dated 1505 and signed by Master M.S., a particular highlight; from Mar 13 to May 25

## CHICAGO

EXHIBITION  
Museum of Contemporary Art Tel: 1-312-280-2660  
● Art in Chicago, 1945-1995: exhibition presenting a historical survey of the art made in Chicago in the years 1945-1995. The exhibition features about 150 works by 135 artists in all media and includes a supplementary exhibition of documentary and archival information covering film and video, performance, audio and computer-assisted arts; to Mar 16

## COLOGNE

AUCTION  
Kunsthaus Lempertz Tel: 49-221-9257290  
● Afrikanische Kunst: auction of 183 pieces of African art, including cult figures, masks and ritualistic and religious paraphernalia; Mar 15

CONCERT  
Kölner Philharmonie Tel: 49-221-2040820  
● Junge Deutsche Philharmonie: with conductor Lothar Zagrosek and soprano Christine Schäfer perform works by Mahler, Berg, Beethoven and Mozart;

Mar 16

## LONDON

CONCERT  
Barbican Hall Tel: 44-171-6353141  
● London Symphony Orchestra: with conductor Zubin Mehta perform works by Stravinsky, Bloch and Strauss; Mar 16  
Purcell Room Tel: 44-171-9604242  
● Olga Tverskaya: the pianist performs works by Haydn, Mozart, Schubert and Vorisek; Mar 16  
Queen Elizabeth Hall Tel: 44-171-9210600  
● Artur Pizarro: the pianist performs works by Shostakovich, Agosti, Stravinsky and Scriabin; Mar 16  
Wigmore Hall Tel: 44-171-9352141  
● Alban Gerhardt: performance by the cellist accompanied by pianist Markus Groh. The programme includes works by Beethoven and Brahms; Mar 15

## LOS ANGELES

CONCERT  
Dorothy Chandler Pavilion Tel: 1-213-972-8001  
● Los Angeles Philharmonic: with conductor Esa-Pekka Salonen, soprano Alessandra Marc and baritone Hakan Hageged perform works by Schubert and Zemlinsky; Mar 14

## NEW YORK

EXHIBITION  
MOMA - Museum of Modern

Art, New York Tel:

1-212-708-9400  
● Rainer Werner Fassbinder: retrospective exhibition devoted to German film maker Rainer Werner Fassbinder, one of the main representatives of the New German Cinema. Fassbinder died at the age of 37 in 1982, having completed 44 films. This retrospective is the first complete exhibition of Fassbinder's films in the US and includes many new prints; to Mar 31  
The Metropolitan Museum of Art Tel: 1-212-579-5500  
● Indian Court Painting: 16th-19th Century: exhibition of paintings drawn primarily from the museum's own collection tracing the various traditions of Indian painting over four centuries. The display is one of three this year at the Metropolitan to mark the 50th anniversary of India's Independence; from Mar 20 to Jul 6

## MUSICAL

Martin Beck Theater Tel: 1-212-239-6200  
● Annie: by Strouse and Charmin. Cast includes Nell Carter. Special 20th anniversary revival; from Mar 13 to Sep 30

## THEATRE

Musik Box Theatre Tel: 1-212-239-6200  
● Barrymore: by Lucs. Directed by Gene Saks. The cast includes Christopher Plummer; from Mar 14 to Sep 30

## OXFORD

EXHIBITION

Museum of Modern Art Tel:

44-1865-722733  
● In Visible Light: exhibition examining the history of photography's attempts to classify the world and questioning its role as a passive recorder of events. On display is a print taken from the first X-Ray (from 1895) as well as a number of works by photographers including Andres Serrano, Humphrey Spender, Sol LeWitt, Diane Arbus and Cindy Sherman; from Mar 16 to Jun 22

## PARIS

CONCERT  
Théâtre du Châtelet Tel: 33-1 42 33 00 00  
● Gidon Kremer, Veronika Hagen, Clemens Hagen and Alois Poch: the violinist, alto, cellist and double bass-player perform works by Schubert and Schnittke. Part of the Schubert Bicentenary; Mar 15

## THEATRE

Comédie Française, salle Richelieu Tel: 33-1 40 15 00 15  
● Tartuffe: by Molière. Directed by Dominique Pitoiset, performed by The Comédie-Française. The cast includes Philippe Torreton and Jean d'Aure May; from Mar 15 to Jul 1

Listing selected and edited by ArtBase The International Arts Database, Amsterdam, The Netherlands.  
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## WORLD SERVICE

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FT Business Morning

10.00

European Money Wheel

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17.30

Financial Times Business Tonight

CNBC:

08.30

Squawk Box

10.00

European Money Wheel

18.00

Financial Times Business Tonight



## Takeover signals a new era of competition

# Japanese telecoms merger first of more

By Michio Nakamoto  
in Tokyo

Japan Telecom and International Telecom Japan will merge this autumn to create the country's second largest telecoms company after Nippon Telegraph and Telephone.

The merger - the first in the industry - between the long-distance operator and the international carrier is in advance of intensified competition expected to follow the government's decision last year to remove barriers between domestic and international telecoms, and allow a demerged NTT into the international market within two years.

"Japan Telecom has judged that it will be difficult to survive the global competition if the company continues to be an entity offering only long-distance services," Mr Haruo Murakami, vice-president, said yesterday.

Japan Telecom, affiliated with Japan's privatised railway companies, will absorb the smaller ITJ.

NTT has signalled its intention to enter the international

market while KDD, Japan's largest international carrier, is moving into domestic services.

ITJ's shareholders include Japan's leading trading companies as well as Matsushita, the consumer electronics maker.

Details of the merger, including share allocation and who will head the new company, will be decided by the end of the month.

The merger is one step in what could be a much larger consolidation in the industry. Japan Telecom said it would welcome the participation of KDD and local telecoms operators in a much larger conglomerate.

Although specific talks to that end have not been held, KDD already has close ties with Japan Telecom through joint stakes in five mobile telephone companies.

Japan Telecom also said it would go ahead with plans, announced last month, to link its lines to those of KDD to provide customers with one-stop services. Meanwhile KDD has tied up with the local carriers affiliated with electric power companies.

Shares in competitors to the newly-created company,

including NTT, KDD and DDJ suffered price falls on the Tokyo Stock Exchange yesterday.

However, analysts expect the only serious challenge to NTT to come from a much larger entity including KDD and the local carriers.

Although the merged company will be the second largest in terms of revenues after NTT, its forecast revenues of more than ¥400bn (\$3.3bn) will be only about half the estimated ¥800bn revenues of the demerged long-distance NTT, with which the new company will compete in the international market.

"NTT still has the overwhelming advantage, apart from its size and financial resources, of a very long customer list," said one analyst. "NTT is the largest provider of telecoms services in Japan and we think those customers will consider NTT for international services as well."

The move by Japan Telecom and ITJ is expected to put further pressure on smaller competitors, such as DDJ, to reassess their strategies.

See Lex

## US floods mirror warnings of global warming

By Leyla Boulton  
in Washington

The US storms and floods which have killed about 50 people and caused at least \$1bn damage in the past two weeks reflect a rise in weather extremes consistent with global warming, according to a leading American scientist.

Mr Tom Karl, senior scientist at the National Climate Data Centre in Asheville, North Carolina, said: "They reflect the types of events we expect to become more frequent as global temperatures increase. They match trends over the past century."

Mr Karl, whose centre studies and forecasts US weather, said rivers which had always been flood-prone were flooding more often as overall US rainfall had increased by 8 per cent over the past 100 years.

This meant that on average the US was receiving the equivalent of half the Mississippi river in additional rainfall every year compared with levels at the beginning of the century.

Mr Karl said the world needed to improve co-ordination of its studies of extreme weather events worldwide to increase understanding of climate change.

His headquarters will host a meeting in June of top scientists and representatives of the reinsurance industry, which has the most to lose from an increase in weather-related insurance claims, to "devise a plan of where we should go from here".

The Intergovernmental Panel on Climate Change, which brings together scientists to research on behalf of governments, has suggested that average temperatures could rise by 1 to 3.5 degrees centigrade over the next century if the world carries on emitting greenhouse gases such as carbon dioxide at present rates.

Governments are due to meet in Kyoto in December to negotiate international cuts in carbon dioxide emissions.

Meanwhile the US Federal Emergency Management Agency, which is responsible for disaster relief, is bracing itself for renewed storms and flooding in areas already devastated since tornadoes hit Arkansas in February.

The greatest threat is that the Mississippi, the country's biggest river, will today burst its banks in part of Tennessee, one of six states affected by the extreme weather.

The storm front unleashed by the Arkansas tornadoes has also triggered flooding in Ohio, Kentucky, Indiana, and West Virginia.

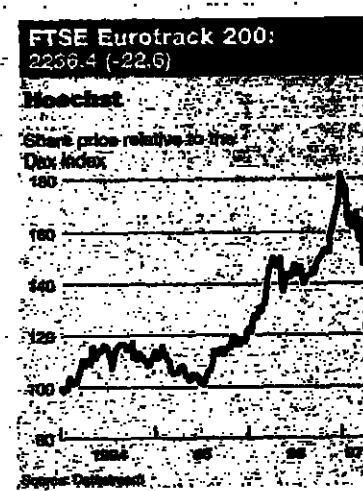
## THE LEX COLUMN

# Hobbled Hoechst

Hoechst's U-turn is astounding. Instead of floating off its pharmaceutical division, the group has decided to keep the drugs and divest itself of its chemical activities instead.

For investors who have backed the restructuring carried out under Mr Jürgen Dornann, the chairman, this is a slap in the face. The partial stock market listing of HMR, the drugs arm, was always second best to a clean demerger on the lines of ICI and Zeneca. But it would still have released value as HMR attracted a higher rating and it would have happened soon - probably by this autumn. It will take Hoechst much longer to find partners for all of its poorly-performing bulk chemical businesses, and even longer to restructure them to a point where they can be floated, so that Hoechst can sell out. Meanwhile, HMR will remain buried in a conglomerate. Having shown investors a hidden jewel, Mr Dornann is snuffing it back into his punch.

The group's rationale for the new strategy is sketchy. It argues borrowings have fallen faster than planned, so an HMR flotation is no longer a financial necessity - but debt will rise in 1997. Hoechst also makes much of keeping full control of drugs and linking it with its other life science businesses. But two of these, agrochemicals and diagnostics, are themselves joint ventures. This about-face seems to have more to do with management's desire to keep on running the more attractive pharmaceutical business than with anything else.



the local market and a market capitalisation over \$100bn. Hence Japan Telecom's enthusiasm for creating an even bigger conglomerate, KDD, which has two-thirds of Japan's international market, is in its sights. That could also bring a relationship with TTN, NTT's largest local competitor albeit with only 0.2 per cent of that market.

Similarly, Japan Telecom is keen to strengthen its global position by forging an alliance with non-Japanese groups. The snag is that the most attractive partners, like BT/MCI, will presumably want to see whether they cannot link up with NTT instead. While it is hard to see precisely how this match-making will end, one thing is certain: the market is becoming increasingly competitive.

On the other hand, the chances that the two Betas might reluctantly embrace each other must have grown. Willis in particular has long fretted, and rightly, that mergers in this people business are not sugar-free. Yet the scale of the cost savings promised by Marsh - at least \$150m a year - surely leaves the UK groups little choice but to talk. Certainly their shareholders should be pressing them to. But that, of course, is one reason why investors in the US groups would be rash to count on lavish cost savings padding bottom lines for long. A world in which all end up scrabbling for economies of scale is one in which the savings will quickly be competed away.

## Rentokil Initial

Rentokil never pretended it would grow at 30 per cent for ever. But it is still a shock to find that in the second half of 1996, Rentokil's profits - excluding a first contribution from BET - did not grow at all. Sir Clive Thompson, the chief executive, blamed yesterday's poor results on the fact that management had been distracted by the integration of BET, bought for £2.3bn (\$3.7bn) last April. But the disappointments were too wide spread for that: flat second-half margins in Asia-Pacific and a fall in UK pest control profits can hardly be blamed on disruption, since BET had no businesses in those areas. More likely, Rentokil's famous lean management simply over-stretched itself. Moreover, it looks as if margin expansion in areas its pest control is coming to an end.

The question now is at what rate of rate Rentokil will grow in future. In 1997 the group should still squeak in with 20 per cent earnings growth, helped by improving margins at BET and accounting adjustments that will save £11m a year. Longer term, however, some of BET's operations, in particular crane hire and distribution, are both more capital intensive and more cyclical than traditional Rentokil businesses. From 1998 growth of 15 per cent, or even less, looks likely. As Rentokil comes down to earth, so should its rating. Even after yesterday's 9 per cent fall, the shares trade at a 30 per cent premium to the market average on 1998 forecasts. That looks too high.

Additional Lex comment on Iceland, Page 2

## Marsh & McLennan back on top

Continued from Page 1

which encompasses employee benefits consultancy, healthcare, and the management of captive insurance companies. These are all areas outside of traditional insurance broking, where growth has become increasingly difficult and margins are under pressure.

Marsh itself derived less than half of its \$4.15bn revenue from insurance services last year. Its Putnam fund management arm contributed \$1.01bn and it earned \$1.16bn from consulting.

The deal leaves a question mark over the future of Unison, a global broking network underpinned largely by Johnson & Higgins' international presence. It owns 90 per cent of the Unison offices worldwide.

Mr Smith said he thought it unlikely that Marsh would want to be part of a group with whom its own subsidiaries were competing.

Marsh is expected to decide shortly whether it will buy Minet, the loss-making UK broker owned by US property and casualty insurer St Paul Companies.

The group's share price was up 36% at \$128½ in early afternoon trading on the New York Stock Exchange.

## Brussels to reform smuggling controls

By Neil Buckley in Strasbourg

A Europe-wide investigation unit and computer system linking national customs authorities could be set up by Brussels to combat smuggling.

The European Commission said yesterday it would propose reforms and new controls on Europe's road freight transit system after a European Parliament report estimated fraud was costing European Union states at least Ecu3.5bn (\$4bn) a year in unpaid excise duties.

The report criticises the Commission, member states and customs services for failing to tackle the problem.

Under the "common transit system", goods such as cigarettes and alcohol do not pay excise on entering EU territory, provided they leave the EU intact, or pay the duty at their final EU destination.

The system has been extended to the European Free Trade Association countries, including Switzerland, and the Visegrad countries of Poland, the Czech and Slovak republics, and Hungary.

But the report says criminal groups are exploiting the removal of internal border controls in the EU, outdated monitoring systems and lack

of co-operation between customs services.

The report says no one knows the true size of the lost revenues which could run into tens of billions of dollars.

The transit fraud inquiry was the first to be instituted under powers given to Parliament by the 1992 Maastricht treaty to investigate EU maladministration.

Mr Mario Monti, single market commissioner, told the European Parliament's Strasbourg assembly yesterday that he would produce proposals before the end of next month on reforming the transit system.

These would include speeding up plans to use computers, including the establishment of monitoring systems in each member state linked to a Europe-wide New Computerised Transit System, and an information-sharing and early warning programme.

Mr Monti added that there would be no extension of the transit system to further countries until it had been fully computerised. The Commission wants to unify the three transit systems, covering the EU, EFTA and Visegrad countries.

Editorial Comment, Page 15

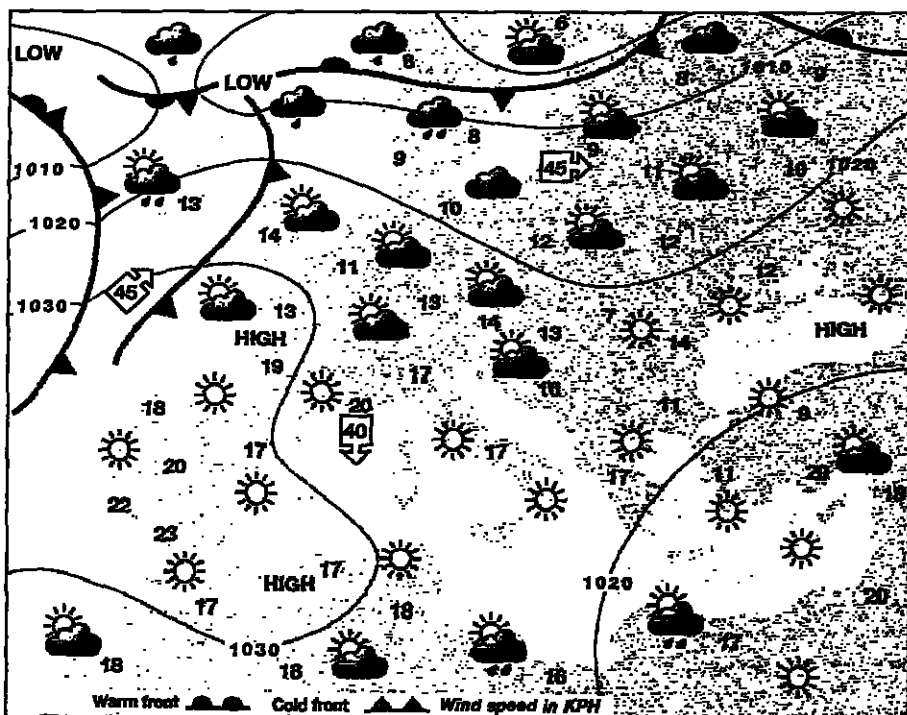
## FT WEATHER GUIDE

### Europe today

Most areas will be sunny but cloud and rain will spread into western regions. The British Isles will be cloudy with some rain. Benelux and northern France will be cloudy. Spain and Italy will stay sunny and rather warm. Afternoon temperatures will be higher than 25C in parts of Spain. The eastern Mediterranean will have showers. Fog in north-west Europe will clear in the early morning.

### Five-day forecast

Cloud and rain will spread across most areas and it will turn colder during the weekend. The Baltic states will have rain.



Station at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

### TODAY'S TEMPERATURES

Minimum	Maximum
Abu Dhabi	21
Algiers	17
Amsterdam	11
Athens	14
Atlanta	18
B. Aires	17
Bham	14
Bangkok	26
Barcelona	17
Belfast	11
Berlin	10
Bombay	27
Buenos Aires	18
Budapest	17
Chengdu	14
Cairo	20
Cape Town	17
Cardiff	13
Casablanca	15
Chicago	10
Cologne	12
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## COMMENT &amp; ANALYSIS

## FINANCIAL TIMES

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Thursday March 13 1997

## Fraud across EU borders

The much ridiculed European Parliament has done a good job in exposing the way in which organised crime has exploited the EU single market after 1993. Yesterday, the European Commission broadly endorsed the conclusions of a European parliamentary committee of inquiry into the EU's transit system. And the commission has already started to implement proposals to reduce smuggling within the Union.

This was the first EU parliamentary inquiry to be set up under the provisions of the 1992 Maastricht treaty. The result is a welcome sign that the parliament can be more than a talking shop, can bend its energies to an important problem neglected by the Brussels bureaucracy, and is able to come up with some practical remedies.

The opportunities for smuggling - notably of cigarettes - arise from the European transit provisions which allow goods to enter the EU without payment of customs duties or VAT, provided the consignment is passing through to a destination outside the Union.

Because of an antiquated system of paper forms and the opening up of national borders within the EU after 1993, smugglers have been able to import duty-free cargoes, which were really destined for sale within the Union. The scale of this fraud is uncertain, but may well run into tens of billions of Ecu

per year. Perhaps more important than the loss in taxes is the insidious danger that organised crime will extend its hold within the EU and use the easy profits from cigarette smuggling for much more dangerous activities, such as arms and drugs trafficking.

The proposed remedies include closer co-operation between national customs authorities, backed by a more modern computerised system, a tightening of transit rules, and more streamlined systems for pursuing legal actions against smugglers across national borders.

However, the committee goes too far in proposing a force of supranational customs investigators. These Euro-police would need to be both numerous and powerful if they were to discover which of the 18m transit operations per year represented contraband. A Europe still struggling with the uncertainties of monetary union, and far from agreement about the implications of enlargement, or a common approach to justice and home affairs, is not ready for such an idea.

Nor is it necessary. The parliamentary committee's report sets an ambitious agenda for combating fraud. This is an issue on which all EU partners have an interest in co-operating. Proposals for cross-border policing would only divide them and create a diversion from simpler practical remedies.

## Uganda's debt

The joint World Bank-IMF plan to ease the debt burden of the world's poorest countries is facing its first test. The two boards have been meeting this week to decide whether Uganda, one of Africa's rare economic success stories, has done enough to qualify for assistance - or whether to delay approval for at least a year.

On the face of it, there could hardly be a more deserving case for debt relief. Eleven years after President Yoweri Museveni and his National Resistance Movement took office, a country that had been devastated by war and mismanagement is making a remarkable recovery. Thanks to economic reforms and donor support of some \$500m a year, GDP growth has averaged 6 per cent annually since 1987.

But external debt, the bulk of it inherited from the regimes of Idi Amin and Milton Obote, totals \$3.4bn. Servicing the debt takes up almost a third of export earnings. Nearly half these payments go to multilateral lenders such as the World Bank, which should be at the forefront of Uganda's recovery. It is this anomaly that the debt initiative is designed to resolve.

The main condition of the initiative - a six-year record of successful adjustment - has already been met by Uganda. The government has also pledged that the money saved

around \$30m a year over the next three years, will be spent on social services and on primary education in particular. In a further effort to reassure donors who fear the money may be misappropriated in any way, the government has offered to open the books to creditors and donors, and allow monitoring of the budget process and expenditures.

There is, however, one area of concern. Uganda's spending on defence has risen from 13 per cent of the budget in 1991 to around 20 per cent, the consequence of Mr Museveni's leading role in the region's wars.

His support for rebels in southern Sudan has prompted retaliation from Khartoum, which backs insurgents in northern Uganda. Meanwhile his close ties with Rwanda include support for the rebels in eastern Zaire. Mr Museveni vigorously denies, however, that he provides material assistance to Rwanda or to the rebels.

Creditors should take advantage of the government's invitation to put this claim to the test. If Mr Museveni's denial is substantiated, Uganda's track record of reform warrants reward. But if evidence is uncovered that Uganda is playing an active part in its neighbours' conflict, creditors should think again. Debt relief cannot be allowed to subsidise Mr Museveni's foreign policy.

## Help for Hanoi

On the surface, the Asian Development Bank's pledge to lend Vietnam \$1.5bn looks odd. This will make Vietnam the largest recipient of concessional money from the ADB - and those loans come on top of a similar commitment from the World Bank. These donors must insist on tough conditions.

Such largesse ought to be superfluous for a country with an average annual growth rate of 8.2 per cent in the 1990s and ready access to private capital. Yet Vietnam still has large pockets of weakness in its economy, low foreign exchange reserves and a current account deficit of 12 per cent of gross domestic product, which is unsustainable.

In the short run it faces pressure on its reserves thanks to a worrying build-up of short-term trade debt, all too often contracted on dubious grounds by state-owned enterprises which then decline to repay on the instructions of their local Communist party officials.

Some foreign borrowing to replenish the reserves is inevitable. It is better that this should take the form of long-term concessional finance rather than expensive short-term commercial credit. Vietnam is not short of offers from banks anxious to diversify their loan portfolios. It could easily build up an unmanageable debt burden.

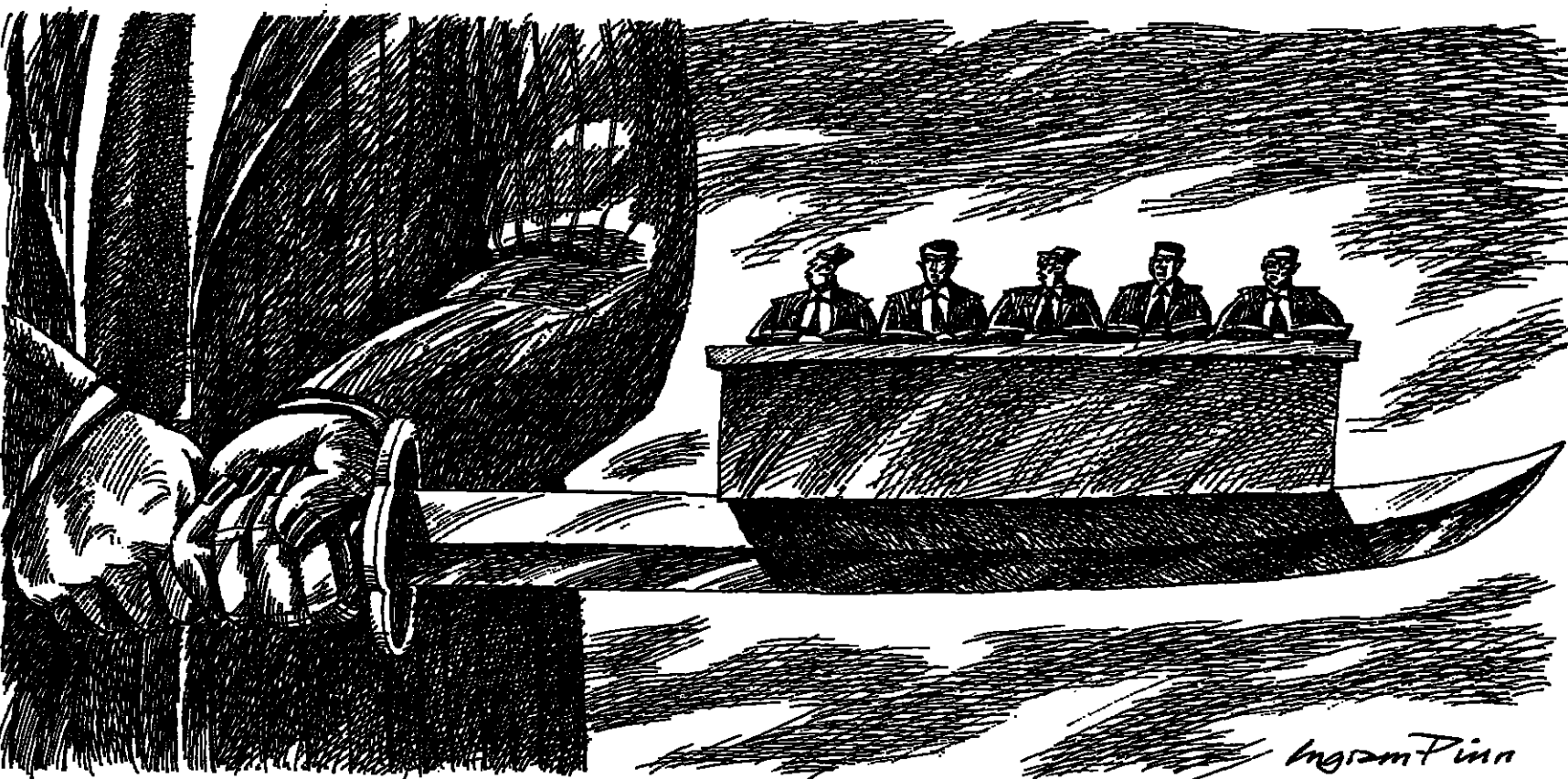
But official lenders must take

maximum advantage of the opportunity to impose conditions. One priority is further effort to shore up Vietnam's crumbling banking system so it can allocate financial resources more efficiently and mobilise more domestic savings.

Another is reform of state enterprises, enabling the economy to move away from import substitution and heavy goods industries. Vietnam is still far too dependent on commodity exports. Without a competitive export industry it will have difficulty closing its payments gap.

Neither priority can be met without the Communist party relinquishing some control. Interference by party officials in domestic production, which has exacerbated the serious problems in the banks. Similarly, Vietnam's dawdling over state enterprise reform stems from the desire of a frequently corrupt bureaucracy to maintain its patronage.

Perhaps because of collective residual guilt over the war, aid donors sometimes appear to give Vietnam an easy ride. If that is motivating the World Bank and ADB, their money will be wasted. Without further reforms Vietnam risks payments crisis and dwindling growth in the medium term with political instability as popular expectations are dashed. Donors will not help Hanoi unless they make this plan.



## Tradition on a knife-edge

Japan's most recent cases of corporate extortion may be a healthy sign of greater pressure for openness, writes William Dawkins

Evidence that two of Japan's most prestigious companies have been paying the mob to keep shareholders quiet is a reminder that Japanese corporate governance is, to put it mildly, peculiar.

Shock - but no great surprise - has been the general reaction to last week's admission by Nomura Securities, the country's largest stockbroker, that it was the latest company to have dealt with gangsters. Its staff had illicitly channelled money into the bank account of a dodgy property company owned by the brother of a prominent *sokaiya* or corporate extortionist.

The pervasiveness of this phenomenon was reinforced less than a week later when two executives of Ajinomoto, Japan's largest processed food maker, were arrested on suspicion of bribing *sokaiya*, who are also being detained at the emperor's pleasure.

These are only the latest in a long queue of 26 Japanese companies - some of them very well-known - which have been found to be paying off gangsters since this practice was supposed to have been outlawed in 1982. Recent offenders include Takashimaya, the department store, Kirin Brewery, Japan's largest beer producer, and Ito Yokado, a leading supermarket chain.

Underestimated by half-hearted government attempts to oust them from corporate life, *sokaiya* have thrived on Japan's system of cross-shareholdings for years. They extract bribes in return for ensuring that awkward questions are not asked at annual shareholders' meetings.

If anything, shameful revelations from corporate Tokyo are getting more frequent - three in the past 12 months alone. And this is Nomura's second brush with the law in six years.

*Sokaiya* are a well-known feature of a business culture that does not welcome intervention from independent investors - and are widely blamed for what is seen as Japan's weak corporate

governance. Yet senior Japanese executives believe these latest cases are, paradoxically, a healthy sign of pressure for greater openness.

The most recent scandals are, in part, a consequence of growing pressure from media, the equity markets and politicians for more corporate disclosure. The Nomura and Ajinomoto cases have been the subject of gossip in the popular press for several months.

"The proliferation of these scandals and disclosure of them are part of a general shift from the traditional system to more global standards," says Mr Masaya Miyoshi, president of the Keidanren economic federation. "It is inevitable because many companies still carry with them old attitudes."

Another healthy sign is that customers and investors are for the first time penalising the latest wrongdoers, a better deterrent than the suspended prison sentences and small fines doled out by the authorities in the past.

Nomura's fund management clients, including its own asset management affiliate, have started to take their business elsewhere in the past few days. This did not happen to the same extent after Nomura's last gangster scandal in 1991 when clients valued a relationship with Nomura more than propriety.

Takashimaya's investors are suing it for compensation, a rare event. The Keidanren, meanwhile, says it might suspend Nomura's membership when it sees the result of an official inquiry.

It is, however, an open question whether all this is enough to encourage managers to break with the *sokaiya*. Their influence is deeply rooted. They are also a logical - if unpleasant - symptom of an otherwise robust corporate system.

They first appeared in postwar years - often by management invitation - to head off any opposition to strategies of keeping dividends low to plough maximum earnings back into expand-

ing businesses. But when many companies tried to shake off this legacy in the 1980s, the *sokaiya* proved ingeniously persistent.

The police believe their number has halved over the past decade to about 1,000. But they have, says Mr Miyoshi, grown very sophisticated. Typically, they operate front companies which buy shares in a victim company entitling them to turn up at shareholders' meetings.

They might also offer the target company a service, such as office cleaning or security, at an extortionate price. In return, they sit in on shareholders' meetings and loudly shout agreement to board proposals. "They have made it hard to draw a demarcation line between legal and illegal activities," says Mr Miyoshi.

Managers who try to get rid of the mob often find themselves suddenly exposed to personal scandal or even danger. Three years ago, the managing director of Fuji Film, who happened to be responsible for shareholders' meetings, was stabbed to death with a samurai sword by a known gangster.

A less dangerous attempt to oust the *sokaiya* is the unwritten agreement by Japan's top listed companies to hold annual meetings on the same day, usually towards the end of June, and to keep them short. Last year, 2,235 companies held their meetings on June 27 - average length just under 30 minutes.

However, while this tactic restricts the activities of the *sokaiya*, it gives shareholders

little time to ask the searching questions typical of western annual meetings. That is why *sokaiya* are so widely held to be a feature of Japan's supposedly weak corporate governance.

In fact, this is misleading. Although some Japanese companies are in the thrall of gangsters, they are more accountable to shareholders than might at first appear.

"Governance lies elsewhere, with a stable network of long-term shareholders, who have a latent ability to control the company," explains Dr Paul Sheard, strategist at Barings Asset Management in Tokyo.

Leading Japanese companies arrange on average for two-thirds of their shares - according to stock exchange data - to be held by business partners, including banks, customers and their own affiliates. These big institutional shareholders are rarely seen at Tokyo annual meetings, but they can - and often do - form coalitions to intervene directly in times of crisis.

Instances of this are hard to cite because they are rarely announced, but the most frequent tactic is for a lead bank to put its own executives in charge of a troubled industrial partner. There is a parallel in the way in which a UK pension fund might press for management changes in one of the companies in which it holds a large chunk of shares.

But even if a Japanese relationship-based shareholder can intervene, it makes a more accommodating taskmaster than a western pension fund with its eye on the next quarter's earnings. That, rather than pay-offs to the mob,

is what most distinguishes Japanese corporate governance, argues Mr Craig Chudler, strategist at Salomon Brothers Asia.

This distinction explains why attempts to tackle corruption have produced so little progress. Typically, the top man will resign to take the rap for deals with *sokaiya*. Mr Hideo Sakamaki, the president of Nomura Securities, has said that he might.

But while the face changes, the management style does not. Previous bosses who fell on their swords have been replaced by someone from the same company or corporate family, a consequence of the cosy shareholder relationships on which *sokaiya* feed.

That is exactly what happened after Nomura's previous president resigned in 1991 following the stockbroker's earlier scandal involving *sokaiya*. Out of respect for their former elders, the new bosses have been unwilling to make dramatic changes.

Mr Sakamaki, for example, reappointed the former president to the Nomura board only two years ago, a move which created speculation - now proved right - that the purge was less than wholehearted.

"This management inbreeding makes it very hard to deal with these problems," says Mr Chudler. "Western companies bring in outside management when they want real change."

This is something few Japanese companies are willing to do. Mazda's appointment of a Ford executive to the top slot last year was a rare exception.

Yet the fact that some of the clients to have deserted Nomura in the past few days are its own shareholders - including Nippon Life Insurance and affiliates of Sakura Bank - may be a sign that they want more than just a ritual gesture of management accountability. If so, the fall-out from these latest embarrassments might, as the Keidanren hopes, be a stage in the inevitably difficult transition to better corporate governance in Japan.

### Ownership of banks and listed companies in Japan

Average % ownership, 1996

Type of shareholder	Banks	Other listed companies	All listed companies
Keiretsu member banks	29.9	43.2	46.8
Other domestic corporations	43.1	20.7	23.5
Individuals	12.6	25.2	23.8
Foreigners	4.4	10.2	9.4

Source: National Council of Security Exchange Regulators Asset Management

## OBSERVER

### Swim with de Swaan

More changes afoot in Basel following the appointment of this Dutchman as chairman of the Bank for International Settlements. Dismissed central bank governor Ton de Swaan is tipped to take over as chairman of the International Bank Committee of Banking Supervisors to which the BIS belongs.

If de Swaan does get the job he will be following in some famous footsteps. Previous Basel Committee chairmen include one-time New York Federal Reserve Chief Gerald Corrigan and the Bank of England's Peter Cooke. The latter was the driving force behind the famous "Cooke ratio" capital adequacy standards which have shaped the international banking system since they were introduced in the late 1980s.

The vacancy arose earlier this month when the Italian government selected Tommaso Padoa-Schioppa - who narrowly missed out on the top job at the Bank of Italy last time round - to head Consob, the country's stock market regulator.

Padoa-Schioppa will be a hard act to follow. In four years in the Basel hot seat the Italian banker helped bring together banking supervisors and their

### Gover-up

One of Sri Lanka's top police officials is in hot water for allegedly lending his uniform to a friend for a fancy dress parade. Mithra Ariyaratne, the number two in the police force - and the head of the intelligence and security division - has been ordered to remain on leave after his uniform was discovered in the luggage of a doctor about to leave the country for India.

### Waiting for Theo

German finance minister Theo Waigel insists Germany is heading for EMU but his personal pilot seems to have a less well developed sense of direction. Transporting his bushy-eyed passenger to Lyon for yesterday's Franco-German economic summit, the navigator managed to land at the wrong airport.

Waigel's flying machine touched down at the city's civilian Stulzas airport, rather than the military aerodrome designated for the VIP's arrival, where cars were waiting to pick up his entourage. The mix-up meant that the meeting, also attended by Bundesbank president Hans Tietmeyer, French Finance Minister Jean

Arthuis and France's central bank governor Jean-Claude Trichet, started an hour late. If the French go ahead and insist on having their own time zone, perhaps such *faux pas* can be avoided in the future.

### Gone for broke

By buying rival Johnson & Higgins, Marsh & McLennan has reclaimed its customary top spot in world insurance broking. After all, it was only back in December - when Aon grabbed Alexander & Alexander - that Marsh was deposed from the number one position after 29 years out in front.

Marsh & McLennan chairman Ian Smith will deny that it was ever his intention to knock Aon back into second place; all the same, the quietly-spoken Smith

hopes to be able to retire in three years time having pulled off the kind of victory Admiral Lord Nelson would have been proud of.

A March man through and through and a Scot by birth, Smith has been with the broker for 35 years. He has been brushing up on tactics by reading historical novels based on the exploits of the British Navy in the Napoleonic Wars - material he describes as "suitably fascinating".

### Name dropping

State Street Boston is the latest US financial institution to try to brush up its public image by ditching part of its name. After two years slaving away with brand consultants, the bank has unveiled a jolly new sailing-ship logo and dropped "Boston" from its title.

Still, Wall Street wags see room for further improvement. After all, State Street has left a gap between "State" and "Street". The real movers and shakers in US financial services - led by BankAmerica and NationsBank - have no truck with such old-fashioned notions.

But at least State Street has distanced itself from laggards in the name game like Bank of New York, which has only itself to blame for being known universally as "booney".

## Financial Times

### 100 years ago

Mutiny in Uruguay. Montevideo, 12th March. Orders have been given for the enrolment of the National Guard. A detachment of National troops has been defeated on the north-west frontier. A mutiny has broken out among the provincial police. It is rumoured that negotiations are in progress for the conclusion of an offensive and defensive alliance between Uruguay and Chile on the ground that Argentina had offered help to the revolutionary movement.

### 50 years ago

Rand Strike Confusion. After it had been officially announced in Johannesburg that the Rand Labour Unions had come to an end yesterday, Renter reported that some of the miners were refusing to sign on because the strike leaders were not being re-employed, while certain of the returning miners were informed by mine managements that there was no work for them at present and that they should re-apply in a few days. A meeting then took place between representatives of the South African Mining Unions' joint committee and officials of the Transvaal Chamber of Mines. Pending the outcome of this meeting, the majority of the strikers were not returning to work.



## COMPANIES AND FINANCE: ASIA-PACIFIC

## David Jones tumbles 50% to A\$22m

By Nikki Tait in Sydney

David Jones, the upmarket Australian department store group, yesterday revealed that after-tax profits slumped 50 per cent to A\$22.3m (US\$17.7m) in the six months to January 25, and said it was "reassessing" its store portfolio.

It warned that while recent reductions in Australian interest rates should improve consumer confidence and lift spending levels in the months ahead, it did not expect "any material improvement

in retail conditions in the second half".

The group said pre-tax profits in the second half would be down on the same period a year ago. First-half sales were static at A\$782.6m.

News of the profits downturn came two days after Mr Chris Tideman, a former retail executive with the UK's Burton group, quit unexpectedly as David Jones chief executive. His departure is thought to have been triggered by investors' concern over the group's performance since its flotation on the stock market in 1995.

Mr Tideman had been attempting to give the chain - one of two big department store chains in Australia - a more modern image and increase its appeal to younger shoppers, but ran into a depressed retail environment.

David Jones's shares have been trading below the A\$2 flotation price for the past year. They closed three cents lower, at A\$1.71 yesterday.

The company announced yesterday that Mr Peter Wilkinson, formerly a senior executive at Coles Myer, Australia's biggest

retailer and more recently managing director of the Just Jeans specialist group, would replace Mr Tideman.

Mr Dick Warburton, David Jones chairman, who played a key role in orchestrating the management changes, said he did not believe the group's strategies had been wrong. But he continued: "I do believe we could have implemented them differently."

He said that about one-third of the group's 27 stores were performing "exceptionally well", and a further one-third "reasonably

well". The remainder were "not producing shareholder value" and about half of those would be subject to particularly careful reassessment.

Before interest and tax, David Jones' overall profits were down from A\$68.5m to A\$45.7m, with profits from retail operations sliding from A\$46.7m to A\$27.2m.

Increased mark-downs, new store costs, higher depreciation and technology-related charges were blamed for the decline.

Comparable store sales fell 2.9 per cent.

## Open skies cloud MAS outlook

The Malaysian airline is facing increased competition as it modernises its fleet

The disgruntled pilots of Malaysia Airlines (MAS), the national carrier, have long been the subject of dinner-table conversation in Kuala Lumpur. Though their complaints have been mild compared with some in the west, they are unusual in a country where industrial disagreements are rarely allowed to leave the boardroom.

This week, however, the airline put an end to four years of wrangling over pilots' wages by awarding a 27 per cent rise to 1,074 of its 1,500 pilots. The three-year agreement is retroactive to September 1995 and will cost the airline M\$43m (US\$17.6m), executives said.

But although the settlement may ease some of the company's troubles, others remain. The carrier is expanding its fleet despite large debts, falling profit margins and in-flight service standards which are coming under increased criticism, analysts say.

Mr Wan Malek Ibrahim, managing director, said this week that the company would have to pay US\$2.1bn to buy 15 Boeing 777-300ERs, for which it signed a memorandum of understanding with Boeing last week. The company has also ordered 10 Boeing 747s, and the total bill is expected to be about M\$10bn.

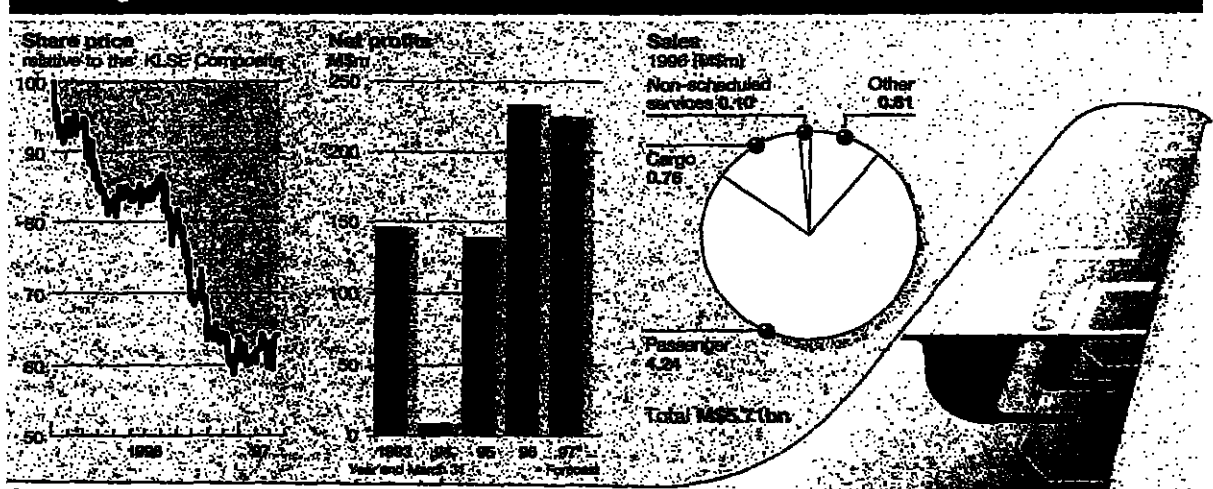
The aircraft should be delivered over the next five years, meaning the company will have to spend roughly M\$2bn on new aircraft every year, a company executive says. He adds that in addition to this expenditure, which could be delayed if payments become difficult, the company is expected to contribute M\$1bn to the capital expenditure budget for the new Kuala Lumpur International Airport, scheduled to open in January 1998.

Some analysts are worried that this level of capital expenditure will add to a large total debt, estimated at M\$4.8bn. Because the company's share price remains below the M\$7 at which it raised funds from the stock market last year, it seems likely the airline will have to take on more debt. Debt currently stands at about 168 per cent of shareholders' equity.

"There has been a lot of talk that the 25 aircraft which have been ordered will be too much for us. But this is not the case," Mr Basir Ahmad, the airline's senior vice-president in charge of commercial operations, said recently.

He outlined a plan under which the airline hopes to cover some of its capital expenditure costs through selling off the ageing aircraft

## Tailing off



Source: DataStream

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He outlined a plan under which the airline hopes to cover some of its capital expenditure costs through selling off the ageing aircraft

in its fleet, especially Boeing 737s. The company also hopes to lower costs by deploying more wide-bodied 747s to replace 737s on routes such as Kuala Lumpur-Singapore and Kuala Lumpur-Kuching.

Since privatisation in 1994, the main achievement of Mr Tajudin Ramli, the airline's chairman, has been cutting costs by keeping his aircraft in the air for longer. While this irked pilots forced to work longer hours, it has also reduced the break-even load factor from 69.2 per cent in the six months to September last year to 66 per cent currently, company officials say.

Challenges lie ahead, however. There remains a shortage of trained Malaysian pilots, meaning that foreigners are employed on packages which - even with the pay rise - outstrip local pilots' wages. Cabin crew are also in short

supply and trained crew are often poached by other corporations in Malaysia also suffering from a chronic nationwide labour shortage.

But a more serious problem is the airline's inability to raise domestic air fares by a required 10-15 per cent because of government concerns that such a rise would fuel inflation and put air travel beyond the reach of a segment of the population. Domestic operations are still loss-making, executives say.

"I think domestic fares are way too low. I think the government will be more amenable in the future," Mr Basir said.

In addition, as global competition appears set to intensify with the signing of several "open skies" agreements, the marginal routes MAS is obliged to operate to further the government's diplomatic endeavours are a further strain. Flights to Buenos Aires and Beirut, for example, have

poor load factors, and there is likely to be little passenger demand if the airline bows to official pressure and starts flights to Zagreb, the Croatian capital.

The new airport should prove a much-needed boon to the airline, allowing it to start many new international routes. It should also help woo back the many Malaysian travellers who currently use Singapore's Changi airport.

However, there are also fears that the airport may act as a Trojan horse for foreign competitors.

Malaysia is sign an "open skies" deal with the US by May, paving the way for unlimited use of landing slots by foreign carriers. But while the current, overcrowded, international airport acts to thwart such an influx, the new one will have slots to spare - increasing the prospect of competition.

James Kynge

## Profits at Daiei 96% below forecast

By Jonathan Arnell in Tokyo

Daiei, the Japanese supermarket chain which was at the forefront of the "price destruction" discounting trend in the early 1990s, said recurring profits for the year to March were 96 per cent below its previous forecast.

The Osaka-based company said recurring profit would total just ¥500m (\$4.1m), compared with a previous estimate of ¥13bn.

Without sales of some of its shareholdings, including 2.5m shares in the Takashimaya department store, the company would have been in the red.

Daiei blamed slow sales of winter clothing caused by a milder than average winter. It cut its estimate of full-year sales from ¥2,520bn to ¥2,505bn.

Mr Masahiro Matsunaka, analyst at BZW in Tokyo, was surprised that Daiei had not changed its forecast earlier, since it suffered a 10 per cent year-on-year drop in first-half sales.

"The big difference between Daiei and other companies is product range," he said. "Since 1995, consumers' behaviour has changed again and they are switching back to brand names, not cheap brands. But Daiei has stuck with them and its own Savings brand."

The company was also burdened with unprofitable subsidiaries which needed restructuring, and did not leave money for restructuring at parent level.

## ASIA-PACIFIC NEWS DIGEST

## Santos earnings leap 40% in year

Shares in Santos, the Australian energy group, jumped 5 cents to A\$5.03 yesterday after it announced a 40 per cent increase in after-tax profits for the year to end-December, to A\$195.9m (US\$155.2m). Earnings per share were up 40 per cent, to 36.5 cents, while total revenues increased 8.4 per cent, to A\$314.5m. There were no abnormal items in 1996.

Mr Ross Adler, Santos managing director, said the result was due to record production and sales revenues, coupled with higher prices and lower exploration write-downs. The effect of the stronger Australian dollar on sales revenue was largely offset by foreign exchange gains on US dollar debt. The result was also boosted by contributions from assets recently acquired from Parker and Parsley, the US-based independent, and MIM, of Australia. Reserves increased during the year by 157 barrels of oil equivalent, to 660m boe, while spending on exploration rose 37.5 per cent to A\$121.1m.

Santos said it expected after-tax profits in 1997 to be comparable to the year just ended "subject to no material change in oil prices, exchange rates and interest rates". Production, it added, should also be in line with 1996's record volumes.

Nikki Tait, Sydney

## Indofood stake for Sampoerna

The controlling shareholder of Hanjaya Mandala Sampoerna, one of Indonesia's leading cigarette manufacturers, has acquired a 5.83 per cent stake in Indofood Sukses Makmur, the country's largest noodle manufacturer. H.M. Sampoerna said the acquisition by Mr Putera Sampoerna was made in a personal capacity. The purchase comes as Indofood plans to acquire 11 companies, including one of the country's largest distribution companies and six plantation groups, in the face of strong resistance from minority shareholders. Indofood is majority-controlled by the Salim Group. Indonesia's largest conglomerate, Mr Sampoerna's acquisition makes him the largest non-Salim shareholder in the company.

Mamela Saragosa, Jakarta

## St Barbara woos Mt Leyshon

The troubled St Barbara Mines is making an all-share offer for Mt Leyshon Gold Mines, a fellow Australian goldminer in which Normandy Mining, Australia's largest gold producer, has a 75.6 per cent stake. It said that the deal would create a "significant" gold company, with annual production of around 350,000 ounces, which would appeal better to domestic and international investors. If successful, the offer, an exchange of 32 St Barbara shares for every 10 Mt Leyshon shares, would reduce Normandy's stake in the combined group to 41.3 per cent. St Barbara said yesterday that in preliminary discussions Mt Leyshon had said it would be "receptive" to an offer.

Nikki Tait

## Delta Gold up 45% halfway

Delta Gold, the Australian mining group which owns 33 per cent of the Hartley platinum mine in Zimbabwe alongside BHP, yesterday posted a 45 per cent increase in profits after tax in the six months to end-December, to A\$10m (US\$7.9m). It also paid out its first dividend, of 1.5 cents a share.

Nikki Tait

## Arnotts slides to A\$8.5m

Arnotts, the Australian food manufacturer 70 per cent owned by Campbell Soup, of the US, yesterday confirmed that profits fell to A\$8.5m (US\$6.7m) after tax in the six months to January 24, compared with A\$38.7m a year ago. Revenues slipped from A\$359.5m to A\$344.5m. The group blamed a change in the year-end from December to January and the costs of commissioning a new plant. But it also said its core biscuit market had been flat.

Nikki Tait

## 1996 results

Enhanced globalization, substantial reduction in debt, profits confirmed.

The Board of Directors of Chargeurs International approved the audited accounts of the company for 1996 at its March 11, 1997 meeting chaired by Eduardo Malone.

Chargeurs International was formed by the 1996 demerger of Chargeurs. An international industrial group employing 7,000 people, it now operates in four highly specialized businesses: Chargeurs Wool (which processes raw wool into wool tops), Chargeurs Fabrics (which produces innovative woolen-based garment fabrics), Chargeurs Interlining (which designs and manufactures interlining for the apparel industry) and Chargeurs Protective Films (which produces adhesive films for the temporary protection of surfaces).

## Consolidated income statement

In millions of francs	1996	1995
Sales	8,471	8,819
Operating income	353	394
Net income/(loss)	136	(65)
Capital expenditure	439	480
Shareholders' equity	3,705	3,389
Earnings per share	18	n.s.

Chargeurs International's consolidated sales for 1996 held firm compared with 1995, at FF 8.7 billion, 84% being generated outside France. Asia accounted for almost a third (31%) of total sales.

Operating income amounted to FF 353 million, slipping FF 41 million, as a result of the Chargeurs Wool business.

Chargeurs International successfully turned around a net loss of FF 65 million in 1995 to net income of FF 136 million in 1996.

## Financial structure

The debt of Chargeurs International has been brought down by FF 1.9 billion, from FF 3.8 billion in the balance sheet drawn up at the time of the demerger as at December 31, 1995 to FF 1.9 billion as at December 31, 1996. The decrease was primarily due to FF 1.3 billion generated by an improved management of working capital requirements. Consolidated shareholders' equity amounted to FF 3.7 billion.

## Contribution by business

CHARGEURS WOOL	1996	1995
Sales	4,058	4,517
Operating income	(24)	47

Chargeurs Wool's sales declined by 11% due to the negative impact of prices for both raw wool and wool tops.

Operating income decreased by FF 71 million, primarily due to the drop in sale prices stemming from worldwide overcapacity in wool processing, to the under-utilization of combing factories and to the fact that processing activities in France and Germany were not sufficiently competitive.

These factors have led the Group to adopt far-reaching measures to reduce capacity and introduce new methods of risk management for raw wool.

Corporate Communications: 33.1.49.24.40.10. Chargeurs International on Internet: <http://www.chargeurs.fr>



## CHARGEURS FABRICS

In millions of francs	1996	1995
Sales	2,059	2,174
Operating income	144	153

For Chargeurs Fabrics, sales dipped slightly, down 5%, primarily as a result of a drop in sales for automotive fabrics and textile finishing.

Operating income recorded a small decrease, mainly due to disappointing results for textile finishing in France.

## CHARGEURS INTERLINING

In millions of francs	1996	1995
Sales	1,984	1,647
Operating income	178	149

Chargeurs Interlining's strong growth in sales (+20%) resulted from an increase in the scope of consolidation with the inclusion of revenues from the companies acquired in North America (Crown and Canada Hair Cloth) and from DJH's South American subsidiaries.

The 19% rise in operating income was generated by synergies arising from these acquisitions.

## CHARGEURS PROTECTIVE FILMS

In millions of francs	1996	1995
Sales	570	482
Operating income	83	56

Chargeurs Protective Films' strong growth in sales (+18%) resulted from an increase in the scope of consolidation with the inclusion of full-year revenues from Boston Tapes.

Operating income rose by a significant 48%, again due to the generation of maximum synergies between Novacel and Boston Tapes which spurred high productivity gains.

Chargeurs International Company accounts Income net of taxation stood at FF 399 million, mainly because of gains obtained through the French tax clearance system enforced in the Group and from the write-back of provisions booked by Chargeurs for subsidiaries, which are no longer relevant.

## Dividend

At the Annual General Meeting called for May 7, to approve the accounts for 1996, the Board intends to propose payment of a dividend of FF 7, excluding tax credit (FF5.50).

## Outlook

The Group is continuing with its active recovery program for Chargeurs Wool. Since the beginning of the year, this business has been bolstered by favorable raw wool prices and by an increase in the order book compared with February 1996. In addition, current exchange rates favor all Group businesses. Barring a downturn in this situation, Chargeurs International is set to maintain its upward trend in earnings in 1997, while continuing to focus on global expansion.

March 11, 1997

## Cathay beats expectations

By Louise Lucas in Hong Kong

Cathay Pacific Airways, Hong Kong's de facto flag carrier, yesterday beat market expectations by reporting a 27.3 per cent rise in annual net profits from HK\$2.98bn in 1995 to HK\$3.81bn last year.

However, the bottom line figures include a HK\$441m exceptional gain and lower tax bill. Growth at the operating level was a more marginal 0.6 per cent, from HK\$3.77bn to HK\$3.79bn.

Mr Peter Sutch, chairman, said the results were satisfactory given adverse currency rates, higher fuel costs and competition. He highlighted the airline's efforts in cost control, which helped reduce interest costs.

The exceptional item, relating to Cathay Pacific's share from the sale of Dragonair, Hong Kong's regional carrier, stemmed from a restructuring in the territory's aviation industry unveiled last year.

Under that reorganization, Cathay Pacific sold a 12 per cent stake in Dragonair to CNAAC, the commercial arm of the Chinese aviation regulator. The UK-controlled Swire group saw its holding in Cathay reduced from 52.6 per cent to 44 per cent following a share placement taken up by Citic Pacific.

The latter, the Hong Kong arm of China's flagship investment company, lifted its stake in Cathay from 10 per cent to 25 per cent.

Yesterday Mr Sutch called the restructuring a welcome move which created more stability and certainty within the industry. Analysts are more wary, and caution that Dragonair with its powerful backer - respon-

sible for allotting routes in China - stands to become a leading competitor.

Looking ahead to 1997, Mr Sutch said challenges remained with yields staying under pressure, continuing problems on exchange rates and high fuel prices. The weak yen last year depressed passenger yields, although this was partially offset by an increased passenger load factor of 2.4 percentage points.

The airline would meet these challenges from a position of strength, he said, with a new and more efficient fleet and the opportunities offered by Hong Kong's new airport due to come into service in a year's time.

Cathay has now invested more than US\$1bn in the new airport on Lantau island which is expected to relieve heavy congestion at the existing facility. It will

ultimately have two runways and no night time curfew, eliminating the current jockeying among carriers for slots.

Mr David Turnbull, chief executive, warned that while the new airport offered exciting prospects, changes remain competitive if Hong Kong was to fend off competition from other hubs in the region.

While the results were above expectations, analysts were cautious on upgrading 1997 forecasts. The stock had underperformed the market by 27 per cent in the past year.

Earnings per share for the carrier rose 18 per cent, from HK\$1.04 to HK\$1.19 last year. Excluding the exceptional item, earnings dipped 1% to HK\$1.02. The dividend was lifted 10.4 per cent, from 5 cents to 5.5 cents.



## groupe Promodès

## 1996 consolidated results

FF millions	% change 1996/1995	1996	1995
Retail network sales (trade volume)	+ 5.2%	168,024	159,656
Net Sales	+ 2.9%	103,535	100,576
Earnings before interest, taxes and extraordinary items	+ 9.1%	2,384	2,186
Income on ordinary activities	+ 15.3%	2,340	2,029
Net Income	+ 20.6%	1,468	1,217
Net Income excluding minority interests	+ 22.0%	1,247	1,022
Earnings per share (FF)	+ 14.0%	65.1	57.1

In the last quarter of 1996, the Group's consolidated net sales rose by 6.8%.

On a comparable structure and constant exchange rate basis, excluding the impact of the divestment of PROMOHYPERMARKET in Germany and DIA in both France and Italy, and the acquisition of a controlling interest in GRUPPO G, sales would have risen by 7%.

Earnings before interest, taxes and extraordinary items were trimmed by FF 119 million, reflecting the negative impact of the operations in Germany. Moreover, the disposal of PROMOHYPERMARKET led to a non-recurring expense of FF 109 million.

Cash-flow stood at FF 3,019 million.

At the Annual General Meeting of May 21, 1997, the Board will propose a net dividend of FF 14 per share, an increase of 16.7% on last year. Following the conversion of bonds, the number of shares has risen from 17,892,795 to 19,143,270.

INTERNET: <http://www.promodes.fr>



Journalist

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# FINANCIAL TIMES COMPANIES & MARKETS

Thursday March 13 1997

Week 11

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## IN BRIEF

### Intel announces Internet venture

Intel, the leading supplier of personal computer chips, joined with Société Européenne des Satellites, the Luxembourg operator of the Astra European satellite TV system, to create a venture aimed at delivering Internet content to PCs in Europe. Page 22

### Cathay Pacific beats expectations

Cathay Pacific Airways, Hong Kong's de facto flag carrier, beat market expectations by reporting a 27.9 per cent rise in annual net profits from HK\$2.98bn in 1996 to HK\$3.81bn (\$491m) last year. Page 18

### Krupp Hoesch net profits fall 59%

Krupp Hoesch, the German steel and engineering group which has undergone a radical restructuring in recent years, registered a 59 per cent fall in net profits, from DM505m to DM208m (\$122m) for 1996. Page 20

### Pay for Wall Street executives at record

Compensation for top Wall Street executives in 1996 reached new highs, according to company proxies filed in recent days. While base salaries remained a small proportion of total remuneration, bonuses and other performance-related pay soared. Page 22

### America Online to branch out

America Online, the US-based information provider, plans to branch out from the Internet and distribute its services through television or other media. Steve Case, chairman, said his group was likely to make announcements later this year on pilot programmes. Page 22

### BP to reach profit target early

British Petroleum's target to raise underlying annual profits to \$1.5bn by the end of the decade will be reached at least a year early, largely because of a sustained 5 per cent a year expansion of oil and gas production. Page 23

### Another remarkable gold month

February was another remarkable month in the gold market, with deals worth \$14bn cleared every working day in London - the international settlement centre for gold bullion. The total of 40.3m troy ounces, or 1,253 tonnes, topped that of January. Page 26

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### Chief price changes yesterday

Instrument (GBP)	Price	Change	Instrument (GBP)	Price	Change
10yr Govt	1287.5	+10.5	10yr Govt	1287.5	+10.5
10yr Govt	951.5	+7.5	10yr Govt	951.5	+7.5
10yr Govt	548	+14	10yr Govt	548	+14
10yr Govt	402	+13	10yr Govt	402	+13
10yr Govt	445	+10	10yr Govt	445	+10
10yr Govt	739	+12	10yr Govt	739	+12
10yr Govt	494	+5	10yr Govt	494	+5
10yr Govt	534	+5	10yr Govt	534	+5
10yr Govt	199	+34	10yr Govt	199	+34
10yr Govt	8	+26	10yr Govt	8	+26
10yr Govt	139	+26	10yr Govt	139	+26
10yr Govt	220	+19	10yr Govt	220	+19
10yr Govt	8572	+24	10yr Govt	8572	+24
10yr Govt	7176	+624	10yr Govt	7176	+624
10yr Govt	1709	+14	10yr Govt	1709	+14
10yr Govt	4158	+426	10yr Govt	4158	+426
10yr Govt	405	+30	10yr Govt	405	+30
10yr Govt	8.25	+0.85	10yr Govt	8.25	+0.85
10yr Govt	3.25	+0.5	10yr Govt	3.25	+0.5
10yr Govt	0.5	+0.5	10yr Govt	0.5	+0.5
10yr Govt	10.5	+1.3	10yr Govt	10.5	+1.3
10yr Govt	2.35	+0.85	10yr Govt	2.35	+0.85

## Hoechst scraps plan to spin off drugs unit

Shares lose 8% as group abandons scheme and makes quarterly losses

By Jenny Luesby in Frankfurt

Shares in Hoechst, the world's largest drugs and chemicals group, tumbled 8 per cent yesterday after the group revealed it had abandoned plans to seek a separate listing for its pharmaceuticals business. It also revealed fourth-quarter results well below expectations and warned of further restructuring charges this year. The German group's shares, down DM6.06 to DM6.14 yesterday in Frankfurt, had been pushed ahead by its declared plans to split itself into drugs and chemicals companies and list them separately. Pharmaceutical companies are traditionally far more profitable than chemicals companies, and their shares usually



Hoechst chief Jürgen Dormann speaks to reporters at the company's annual news conference in Frankfurt yesterday

activities, Mr Dormann said. Also, Hoechst's financial flexibility had been improved following its speciality chemicals joint venture with Clariant of Switzerland. Under the deal, Clariant will assume DM3bn (\$1.7bn) of Hoechst debt. It was also negotiating credit of several billion D-Marks with its banks. Meanwhile, the group plans to accelerate its exit from chemicals. It has already agreed joint ventures with the German groups Wacker and BASF for two of its plastics businesses, and is negotiating a third with British Petroleum. Yesterday, it announced a joint venture with US group Dade International for its Behring diagnostics business in which it would retain only a 32 per cent minority stake. Increased fourth-quarter sales and profits in HMR were more than offset by declines in the fibres, plastics and basic chemicals businesses. A surprise DM400m restructuring charge resulted in a loss for the quarter. Full year sales fell 2 per cent to DM50.93bn. Operating profits increased by 12 per cent to DM4.01bn. Flattered by a DM710m gain on disposals, including exceptional pre-tax profits were DM5.28bn, compared with DM4.09bn last time.

## Markets cautious on Russia's D-Mark bond issue

By Edward Luce in London and Andrew Fisher in Frankfurt

European bond traders yesterday expressed reservations about the timing of today's debut Russian D-Mark bond issue which they say coincides with the rockiest period so far this year for emerging market debt. Russia's DM1.5bn (\$882m) eurobond, which is expected to be priced to yield between 3.25 and 3.75 per cent, points above German government bonds, follows the poor reception given to other emerging market bond issues in the past fortnight. Worries about a possible rise in US interest rates at the Federal Reserve's meeting on March 25 have sharply depressed emerging market bond prices. The average yield spread - or risk premium - paid on emerging market debt over US Treasuries has widened from 390 basis points to 450 basis points in the past few days, though it has improved on the 500 basis points it had reached 10 days ago. A basis point is a hundredth of a percentage point. "This is unfortunate timing," said one bond analyst in London yesterday. "Russia will have to price the issue quite generously if it is going to get a good reception from investors."

## SBC outpaces rivals to raise income by 21%

By William Hall in Basel

Swiss Bank Corporation, Switzerland's third-largest financial group, increased its operating income in 1996 by 21 per cent to SF10.75bn (\$7.30bn), helped by strong growth in fees, commissions and trading income, as the group took advantage of buoyant financial markets. The growth in income was faster than that recorded by Union Bank of Switzerland and Credit Suisse, SBC's bigger rivals, and the 15 per cent growth in personnel expenses, to SF4.2bn, was less than that of the other two. Like its rivals, the group recorded an overall loss for the year because of a large provision - SF1.9bn in SBC's case - for bad loans and restructuring. Earnings were boosted by strong growth at both SBC Warburg, its investment banking arm, and its fund management operation SBC Brinson. SBC's shares, which had already risen by a fifth this year, rose a further SF7 to SF310. SBC Warburg, which raised pre-tax profits by 54 per cent to SF1.1bn, disclosed a breakdown of its earnings among its main business for the first time, showing strong performances in both its equities and fixed income operations. SBC Warburg also confirmed that it was being investigated by UK financial regulators over an incident last October in which it mishandled the sale of \$300m (\$488m) of European shares on behalf of a British investment trust. The mistake is thought to have cost SBC Warburg no more than \$5m, but led to the departure of two members of staff, including Mr Peter Corrigan, head of French equities, and the disciplining of several other staff members. Mr Marcel Oepel, SBC's chief executive, said that overall results showed it was strengthening its earnings capacity and not just relying on cost-cutting. The domestic Swiss retail arm reduced its losses from SF182m to SF116m. Analysts agreed that SBC had started to show an improvement in quality of earnings and had curbed costs better than rivals. Mr Oepel said private banking, which increased profits by 19 per cent to SF1.3bn, remained the "strongest profit driver" in the group. SBC Brinson separately increased its profits by 81 per cent to SF1.1m, partly due to strong markets. SBC embarrassment, Page 19 Results, Page 19

## MasterCard chief to run BankAmerica retail arm

By John Authers and Tracy Corrigan in New York

BankAmerica, the third largest US bank, has lured MasterCard's chief executive Mr Eugene Lockhart to run its retail banking network of more than 2,000 branches in 11 western states. The appointment ends five months of uncertainty at BankAmerica, since the announcement last October that its two most senior retail bankers, Mr Thomas Peterson and Mr Luke Helms, were to leave the company. Mr Lockhart, who led MasterCard's advance into smart card technology through its stake in Mondex, will now have to grapple with the bank's huge branch network, including more than 1,000 branches in California alone. As president of BankAmerica's global retail bank, a newly created position, he will report directly to Mr David Coulter, the company's chairman and chief executive, whose background is in corporate banking. The bank said that other areas of business would also fall under Mr Lockhart's jurisdiction as the company "evolves to a basic retail/wholesale structure." BankAmerica already has a strong wholesale presence in foreign exchange and loan syndication and wants to develop its investment banking. In its West Coast retail base, BankAmerica faces a strong challenge from Wells Fargo of San Francisco, which last year bought Los Angeles-based First Interstate and has embarked on an aggressive branch closure programme. Wells Fargo has decided to concentrate on online banking and supermarket outlets. Mr Coulter hinted at Lockhart's task when he commented on the appointment, saying: "He's especially adept at guiding financial services businesses through technological change."

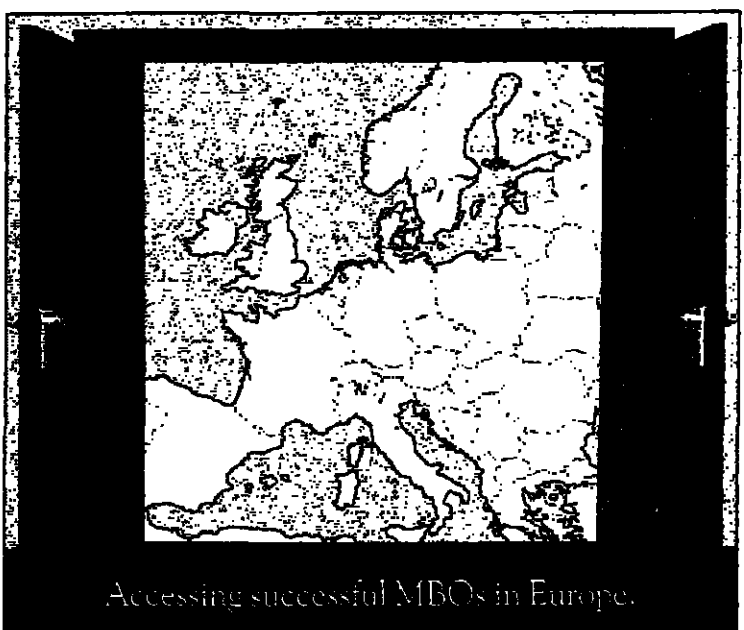
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## COMPANIES AND FINANCE: EUROPE

## Viénot calls for break-up of Lyonnais

By Andrew Jack in Paris

The chairman of Société Générale, the French banking group, yesterday called for Crédit Lyonnais, its state-owned rival, to be sold in segments in an effort to avoid a huge additional recapitalisation.

Mr Marc Viénot argued that Crédit Lyonnais's Asian activities, its domestic network and other activities should be sold separately to raise money, as an alternative to the latest injection of state aid which could amount to at least FF30bn (\$5.2bn).

His comments came as new estimates discussed by the French

national assembly finance commission suggested the total cost to taxpayers of rescuing Crédit Lyonnais could run to FF130bn.

Mr Viénot, who has launched legal action in the European court of justice against previous state aid packages, of nearly FF60bn, in the past two years for Crédit Lyonnais, has been a long-standing critic of the restructuring measures taken by the French government.

The chairman of Société Générale, who is expected to hand over control to Mr Daniel Bouton, the managing director, in the coming months, also yesterday unveiled

net income for his own bank in 1996 up 19 per cent to FF4.5bn, on net banking revenues up 9 per cent to FF4.1bn.

He said the figures showed that even in France, characterised by competitive distortions and intense pressure for business, it was possible to operate a domestic retail network profitably with "rigorous, dynamic" management.

Mr Viénot defended the price that Société Générale had paid to purchase Crédit du Nord, the retail banking arm of Paribas, in a transaction which was finalised this week for FF2.2bn.

Provisions against lending were

almost unchanged at FF4.8bn, but the group took FF600m in exceptional charges, including FF500m to cover the cost of preparations for the single European currency.

Separately yesterday, the Caisse d'Épargne, the French savings bank network, reported net income for the year up 11 per cent to FF1.8bn on banking revenues ahead 5 per cent to FF2.75bn.

Retained profits helped boost the capital of the group 4.4 per cent to FF64.8bn for the year, giving it a return on equity of 4.4 per cent, compared with 8.7 per cent for Société Générale.

Its low return has been at the centre of criticisms launched by the commercial banks of the group.

However, Mr René Barbary, chairman of the Caisse d'Épargne, said he could be satisfied with a return on equity to those with a stake in a network of about 4 per cent, considerably below the objectives for France's banks and other quoted companies.

The increase in profits came in spite of sharp decline in deposits from FF1.1tr to FF1.0tr. A government-backed 10-year savings scheme, in the wake of a cut in the interest rate early last year.

## German group in talks on phone projects

By Ralph Atkins in Hannover

Mannesmann, the German industrial conglomerate, is in talks on up to 15 mobile telephony projects around the world, which would build on the strong performance of its mobile interests in Germany.

The expansion plans come as Mannesmann gears up its telecommunications activities for full liberalisation of the German market next year. Yesterday, Mr Peter Mihatsch, board member with responsibilities for telecommunications, fired the latest shot in an increasingly vocal row with Deutsche Telekom.

Speaking at the CeBIT computer and telecommunications fair in Hannover, Mr Mihatsch warned that disputes over "interconnection" arrangements with Telekom would be taken to the European Commission if a satisfactory deal was not struck within Germany.

The international expansion in mobile phone would add to Mannesmann's existing mobile interests in Japan, Italy and Brazil. The aim is to exploit the expertise gained in building up D2, now Germany's largest mobile phone network, with 2.5m users.

Mannesmann also plans to expand its telecom activities through a deal with Deutsche Bahn, the German railway operator. Mannesmann Arcor - of which 50.2 per cent is held by Deutsche Bahn and the remainder by a consortium led by Mannesmann - plans to build a fixed network to rival Deutsche Telekom's.

However, Mr Mihatsch warned that the speed at which Mannesmann was becoming a full service provider to all clients would depend on relations with Deutsche Telekom.

He expressed alarm that the German federal government had yet to announce details of the new regulatory authority, planned to come into operation from next January. "We may have some time early next year in which there is no effective regulation," he said.

Viel, the Munich-based industrial conglomerate which has ambitions in telecommunications, said it would follow Mannesmann to Brussels if a satisfactory deal between Deutsche Telekom and its new competitors over interconnection was not agreed.

## Grolsch shares slide on gloomy outlook

By Gordon Cramb in Amsterdam

Shares in Grolsch, the Dutch maker of premium beers, slid more than 20 per cent yesterday as it produced only a 1.8 per cent rise in net profits for last year to FF59.9m (US\$31.5m) and warned of a downturn in the current year.

It blamed the poor outlook on intensified price competition in a shrinking beer market in north-west Europe. At FF74, the shares ended FF15 lower, while stocks in the much larger and more internationally diverse Heineken shed FF20.80, or more than 6 per cent, to FF137.20. Heineken is due to report its annual results tomorrow, having shocked the market

at the halfway stage by making a similar gloomy pronouncement.

In spite of a successful push into Poland and strong exports, Grolsch still derives more than half its volume sales within the Netherlands, where the industry association said this week beer demand fell 2.1 per cent in 1996.

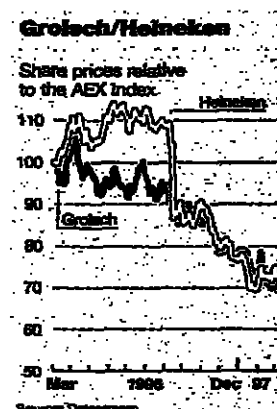
Mr Paul Snoep, chairman, while declining to specify market share, said his company's sales suffered less than the average. But he added that in the UK, where it controls Ruffles and has a distribution joint venture with Bass, "there appears to be no stopping the downward trend" in consumption, off 1 per cent last year.

However, the Bass tie-up

produced a satisfactory increase in sales and broke even. "Now, the emphasis is more on margins... we're on the right track," Mr Snoep added.

However, for Grolsch as a whole he described the second half as very disappointing after a favourable start to the year, as a poor summer took its toll. Even in northern Europe had a "normal" summer this year, Grolsch said it did not expect to match the 1996 result.

Revenues rose 7.3 per cent to FF176.8m. A contribution from its 25 per cent stake in Brewpole, operator of Poland's leading brewery, was consolidated for the first time. But this was almost entirely offset by the effects



of a switch in US distribution to Seagram. The modest earnings increase was achieved only because of a FF9.2m pre-tax credit paid for distribution rights by an unnamed overseas partner.

Helped by equity buy-backs to cover convertible bonds, earnings per share improved from FF3.52 to FF3.71, and the dividend is held at FF1.48. No such repurchases are planned this year.

## Krupp Hoesch profits fall 59%

By Sarah Althaus in Frankfurt

Krupp Hoesch, the German steel and engineering group which has undergone a radical restructuring in recent years, yesterday registered a 59 per cent fall in net profits, from DM506m to DM26m (\$122m) for 1996.

It blamed the decline on weak economic conditions, which had hit its core steel activities particularly hard. However, the group forecast improved performance this year and said it would keep its promise of a dividend for 1996.

Thyssen, which was unchanged at DM5, marking only the second dividend since Krupp Hoesch became a joint stock company in 1992.

It attributed its confidence for its current year to an expected upturn in European steel demand and to positive effects resulting from restructuring of its steel activities.

Pre-tax profits dropped 48 per cent to DM236m, while turnover edged up 2 per cent to DM4.4bn, mainly because of the first-time consolidation of the Italian special steelmaker, Uscio, the plant specialist, and Mannesmann's shipping company, Net earnings per share fell from DM2.6 to DM1.8.

The results matched analysts' expectations but the share slipped DM1.3 to DM29.5 in a broadly weak market. The company, the world's leading producer of stainless steel, said all divisions, including steel, had reported a profit before tax.

The steel sector, which in 1996 contributed almost half the group's pre-tax profits, was hit by extraordinary charges connected with its restructuring.

Krupp Hoesch has said it expects to cut 2,300 jobs in steel over the next few years.

## Lauda Air sells stake to rival

By Eric Frey in Vienna

Austrian Airlines (AUA) is to buy 36 per cent of rival carrier Laudair and take strategic control.

Mr Rudolf Streicher, chairman of AUA's supervisory board, said yesterday the airline would buy half of the 40 per cent stake held by Lufthansa, the German airline, and another 10 per cent from Mr Niki Lauda, the former world motor racing champion who founded Laudair in 1979. Mr Lauda will keep 30 per cent and stay as chairman. The remaining 6 per cent will come from another shareholder.

No value was given for the transaction, but based on Laudair's stock price the airline is worth just under \$500m (US\$41.6m). AUA had pre-tax profit of \$66m on sales of \$1.33bn in 1996, while Laudair's figures were \$47.5m and \$2.7bn, respectively. Figures for 1996 have not yet been released. The announcement surprised analysts, as previous efforts to combine state-controlled AUA with its smaller competitor had failed.

Mr Lauda started with charter flights but moved on to compete against AUA on regular European and overseas routes. As AUA also controls the regional carrier Tyrolean Airways, the transaction brings together all three Austrian air carriers.

Lufthansa said it would keep a 20 per cent stake in Laudair. The joint shareholding may pose problems, as AUA and Lufthansa have a history of failed merger talks. AUA also co-operates with Swissair, Sabena and Delta in a link-up which directly competes with Lufthansa and its international partners.

Mr Lauda said yesterday preliminary pre-tax profits fell about 10 per cent to DM756m (\$443m) last year, mainly because of higher fuel costs, writes Sarah Althaus in Frankfurt.

## WorldCom in Europe push

By Alan Cane

WorldCom, a newly formed international telecommunications operator, is investing \$200m to build a pan-European fibre optic network including cables linking the UK with the Netherlands and France.

It says substantial new transmission capacity will be necessary by 2000 for Internet and multimedia.

The network is expected to connect London, Amsterdam, Brussels, Frankfurt and Paris later this year. It follows the launch last year of a project - Gemini - to lay a high capacity cable between London and New York. In October last year, Cable and Wireless of the UK took a half share in the \$700m project.

Mr Colin Williams, president of WorldCom International said: "A pan-European network will enable WorldCom to offer customers a single source for their communications needs, with an

integrated set of services including voice, data and the Internet."

The current network building projects will have cost \$1bn by the time they are finished. WorldCom believes owning infrastructure is essential to guarantee low prices and ensure network management.

WorldCom, which now operates in more than 50 countries, was formed last year from WorldCom, the fourth largest US long-distance carrier, and MFS, another US telecommunications carrier, which is building fibre optic loops around Europe's principal financial centres. It thus combines long-distance transport with local access. Analysts have hailed it as heralding a new breed of international operator.

The new network is designed to position WorldCom to challenge for a bigger share of European telecommunications business when it is fully liberalised next year.

## Minorco beats expectations with \$396m

By Kenneth Gooding, Mining Correspondent

Minorco, the Luxembourg-listed natural resources group, yesterday reported a 9 per cent increase in earnings before exceptional items to a record \$396m, well ahead of expectations.

Mr Hank Slack, chief executive of the group, which is 60 per cent owned by Anglo American and De Beers of

South Africa, said prospects for 1997 were "positive" because of a bright outlook for metals prices, particularly zinc.

He said increased production of gold, copper and newsprint last year offset the general price weakness in industrial commodities.

Minorco is to cut the workforce and infrastructure at its Morro Velho gold operations in Brazil and is

making an exceptional charge of \$119m for this in the 1996 results.

It warned that operations at the Hudson Bay zinc-copper complex in Canada might end in 2004, despite a marked improvement under new management last year.

Operating losses were cut from \$22m to \$2m, but no new resources have been found in spite of an intensive exploration effort.

Minorco is making an exceptional charge of \$119m for this in the 1996 results.

The exceptional charges were partly offset by profits of \$247m on disposals, but net earnings fell from \$366m, or \$1.63 a share, to \$336m, or \$1.50. The dividend is held at 63 cents. Mr Slack said this was because the group faced record \$1bn capital expenditure this year, up from \$674m last year.

Minorco was looking at details of the partial privatisation of CVRD, the Brazilian mining and industrial group, with a view to a joint bid with Anglo American, Mr Slack said.

The 100 agriculturalists in the US as the biggest contributor to operating earnings, at \$312m, down from \$331m, followed by industrial minerals at \$136m compared with \$83m.

## EUROPEAN NEWS DIGEST

## State veto to stay on Thomson-CSF

The French state is to retain a veto over significant changes in the ownership of Thomson-CSF, the defence electronics giant, after its privatisation later this year. This became clear yesterday with publication of the detailed conditions regarding the sale. Bidders are being asked to make preliminary offers by March 28, with a winner expected to be chosen by June 30.

The process is expected to pit Alcatel Alsthom, the telecoms and engineering group, against the Lagardère conglomerate in a repeat of the abortive contest last year, when the government tried and failed to sell the entire Thomson group. Alcatel last night confirmed it would make a joint offer for Thomson with an arm of Dassault, the aircraft maker. Its announcement came a day after the authorities decided to exclude Aerospatiale, the state-owned aircraft maker expected soon to merge with Dassault, from being a candidate in the sale, either alone or in a joint bid. This was initially portrayed as a blow to Alcatel. It emerged last month Alcatel was in talks with Aerospatiale and Dassault to mount a joint bid.

Yesterday's details made clear that Thomson's privatisation will be achieved through a trade sale of just over 50 per cent of the company's shares. In addition, between 5 and 6 per cent of the shares will be reserved, on preferential terms, for Thomson employees. Nearly 45 per cent are already in public hands. Candidates must have at least FF75bn in equity capital and the same amount in annual turnover in the professional and defence electronics fields. In the case of a group bid, the lead company must plan to hold more than a third of Thomson's capital or voting rights.

The government said its aim in the sale was to facilitate the development of an electronics pole around Thomson that would "contribute effectively" to the restructuring of the European defence industry. It said it would retain a golden share and would require the government's approval for any transaction that would result in 10 per cent or more of the company's voting rights or capital changing hands. It would also have a non-voting representative on the company's board.

David Owen, Paris

## Portugal Telecom rises 52%

Shares in Portugal Telecom reached a record high yesterday as it reported a 51.5 per cent increase in net consolidated profit last year to \$564.9m (\$321m), up from \$365.25m in 1995. The increase, well above analysts' forecasts of about \$520m, came ahead of a third global offering of Portugal Telecom expected in September, and selection of an international partner by April.

After reaching a record \$56.448 yesterday, down from \$56.545 at Tuesday's close. Analysts said most investors had discounted the expected profit growth earlier in the week. The group's higher than forecast profit growth was partly a result of a lower than expected tax rate of 47.4 per cent of total earnings, compared with 58 per cent in 1995. Pre-tax profit of \$510.5m, up from \$379.6m in 1995, was in line with analysts' forecasts.

Peter Wise, Lisbon

## Exchange merger protested

A planned merger between the Stockholm Stock Exchange and OM, the Swedish derivatives exchange operator, hit a snag yesterday when four banks which together own 20 per cent of the stock exchange objected. Svenska Handelsbanken, Nordbanken, Swedbank and Föreningsbanken said they opposed a deal which would make the merged exchange a subsidiary of OM Group, a listed company which includes the OM option exchanges and owns 21 per cent of the Stock Exchange.

It appeared one concern was the influence set to be wielded over a merged market by the powerful Wallenberg industrial empire. Investor, the main Wallenberg investment vehicle, is the biggest shareholder in OM and has a policy to be the dominant owner in companies in which it holds stakes.

"We support the creation of a single market place, but the problem is the ownership structure," said Mr Björn Andersson, head of Handelsbanken's markets department and a member of the stock exchange board. "We are very hesitant that the parent company of the new house should be a listed company. We want to be guaranteed that we have a broad shareholding and not a very concentrated ownership."

OM expressed surprise at the objections, which were made public only days after the proposed merger was given the green light by a government-commissioned report which made no mention of the ownership issue. A merged board would create a common market for Swedish equities and derivatives trading and would be the dominant exchange in the Nordic region. OM and the Stock Exchange see a merger as the best way to fend off growing competition from foreign markets and to attract more international liquidity to Stockholm.

Hugh Carnegie, Stockholm

## Lafarge pleases investors

Shares in Lafarge, the French building materials group, began to recover yesterday from a 3 per cent fall on Tuesday, in spite of weaker profits. The shares closed up 1.2 per cent at FF372. Although Lafarge's net attributable profit fell from FF2.35bn in 1995 to FF1.85bn (\$322m), the 3.2 per cent rise in operating profit to FF4.17bn was better than anticipated, analysts said. The group also forecast a "significant" improvement in 1997, underpinned by an anticipated rise in sales of more than 10 per cent.

Reuters, Paris

## NOTICE IS HEREBY GIVEN OF THE ANNUAL GENERAL MEETING

to be held at the office of Julius Baer Bank and Trust Company Ltd, Kirk House, Grand Cayman, Cayman Islands, on the 1st day of April, 1997 at 9.30 a.m.

## AGENDA

- To receive and consider and, if thought fit, adopt the accounts prepared by the Directors for the year ended 31st December, 1996 and the reports of the Directors and Auditors.
- To ratify the acts of Directors.
- To approve the appointment of Price Waterhouse as Auditors and authorize the Directors to fix the Auditors' remuneration.

## By order of the Board

LIQUIBAER Julius Baer U.S. Dollar Fund Limited, P.O. Box 1100, Grand Cayman, Cayman Islands.

A shareholder holding registered shares is entitled to attend, vote and appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the company.

A shareholder holding bearer shares is entitled to attend and vote. Exercise of these rights in respect of bearer shares will be recognized only on presentation at the Meeting of the bearer certificate or satisfactory evidence of the holding.

## LIQUIBAER

LIQUIBAER JULIUS BAER U.S. DOLLAR FUND LIMITED GRAND CAYMAN  
A company incorporated in the Cayman Islands with limited liability

## ETBA FINANCE FINANCIAL AND ECONOMIC SERVICES S.A. (formerly GREEK EXPORTS S.A.) INVITATION

FOR EXPRESSIONS OF INTEREST IN PURCHASING THE ASSETS OF "ASPA PLAST HELLAS" COMMERCIAL AND INDUSTRIAL PLASTIC PRODUCTS COMPANY S.A.

ETBA FINANCE Financial & Economic Services S.A., established in Athens at 1 Timotheou and Vass. Constantinou Streets) is in capacity as special liquidator of the above company in accordance with Decision No. 459/1996 of the Athens Court of Appeal by which "ASPA PLAST HELLAS" Commercial and Industrial Plastic Products Company S.A. has been placed under special liquidation within the framework of article 40a of Law 1892/1990 as supplemented by article 14 of Law 2003/1991, or in force today, and following instructions from "ETBA S.A.", the creditor as per para. 1 of article 40a of Law 1892/1990.

Interested investors to express their interest in purchasing the assets of "ASPA PLAST HELLAS" Commercial and Industrial Plastic Products Company S.A., please send liquidation, within twenty (20) days from today by submitting a written, non-binding expression of interest.

SUMMARY INFORMATION ON THE COMPANY UNDER LIQUIDATION  
The above-mentioned company has a factory which produces PVC profiles and plastic frames. It is situated in the Lania industrial zone on a plot 34,000 m<sup>2</sup> in area. The factory building occupies a surface area of 7,784 m<sup>2</sup> while the offices extend over 1,338 m<sup>2</sup>. The building housing the factory and offices has been built with prefabricated sections of reinforced concrete, has been fitted with plastic frames and industrial floor in the factory. The area surrounding the building is landscaped, with driveways, is walled round and contains a water tank. The assets include the entire mechanical equipment of the factory, machinery, vehicles and the company stock. A detailed description of the above, as well as a description of the machinery and other equipment, are contained in the Offering Memorandum which will be delivered in good time to interested investors.

Other data on the assets for the highest bidder

1. Prospective buyers, on signing a written undertaking of confidentiality, may obtain the Offering Memorandum from the offices of the liquidating company within the legal time limits. They may also have access to any other information they may require, and visit the site of the company for sale.

2. The Offering Memorandum contains a detailed description of the assets for sale of the company under liquidation and all other information that may be useful to the potential buyer.

3. The announcement of the Public Auction for the Highest Bidder will be published within the financial press, today and in the same newspapers. For any further information please apply to:

ETBA FINANCE S.A. | Etairetissias S.A., 4th floor, Athens, Greece, tel: (201) 7260210 & 7260278. Fax: (201) 7260664.

## Notice to the Holders of Warrants to subscribe to the New 20,185,000,000 Shares of Common Stock of TOKYO ELECTRON LIMITED (Company)

Yen 20,185,000,000  
New Shares of Common Stock of TOKYO ELECTRON LIMITED (Company)  
Issued with  
FFR 1,000,000,000  
10 per cent. Bonds 1998

Pursuant to Clause 4(a) of the Instrument dated 10th March, 1997 (the "Instrument") relating to the above-captioned warrants (the "Warrants"), notice is hereby given as follows: On 26th February, 1997 the Board of Directors of Tokyo Electron Limited (the "Company") resolved to make a stock split of the Company in the form of a 1:10 share distribution of 200,000,000 new shares for each share then held. Consequently, the Subscription Price of the Warrants will be adjusted pursuant to Clause 3(b) of the Instrument.

Subscription Price before adjustment Yen 34,000  
Subscription Price after adjustment Yen 3,400  
Interest date of adjustment 1st April 1997, Japan time  
TOKYO ELECTRON LIMITED  
By: TOKYO ELECTRON BANK LIMITED  
as Financial Pricing Agent

Dated: 13th March, 1997

## The AGA 1996 full year report

is now available at:  
SBC Warburg  
2 Finsbury Avenue  
London EC2M 2PP  
and on the Internet  
www.aga.se

AGA AB (publ),  
181 81 Lidingsö, Sweden



## ADJUSTMENT TO SUBSCRIPTION PRICE

Hansol  
(Incorporated in the Republic of Korea with limited liability)  
HANSON PAPER CO., LTD  
U.S.\$77,500,000 Floating Rate Notes due 1997  
with Warrants to subscribe for New-issuing Shares of the Hanson Paper Co., Ltd

We, Hanson Paper Co., Ltd., Seoul, Korea (the "Company") are hereby pleased to notify the holders of the Company's Warrants that the Company made an adjustment to the Subscription Price of the Warrants issued on 26th May 1994 from KRW31,218 to KRW30,516 according to Clause 3 of the Instrument to be dated 26th May 1994.

March 13, 1997  
By: Citibank, N.A. (Corporate Agency & Trust Agent Bank)  
CITIBANK

The Financial Times plans to publish a Survey on

## Portugal Banking &amp; Finance

on Wednesday, April 16

For further information please contact:

Lindsay Sheppard in London

Tel: +44 (0)171 873 3225 or Fax: +44 (0)171 873 3204

Roberto Alves in Lisbon on

Tel: 84083284 or Fax: 8404579

or your usual Financial Times representative

FT Surveys

## COMPANIES AND FINANCE: EUROPE

## Embarrassing times for SBC Warburg

The SFA investigation of the London-based bank puts programme trading under the spotlight

"What happened is what we definitely mean the definitely pushed some of the shit down. After the fact Alex told us we should have gotten them down 1 per cent, it's just stupid."

These are the comments of a London-based SBC Warburg trader on October 30, soon after a mistake made during the execution of a £300m programme trade for an investment trust had caused the price of a number of French stocks to fall sharply.

The comments were recorded on tape and have been passed to the Securities and Futures Authority, the City of London regulator, which is now investigating SBC Warburg. The mistake has also led to the departure of two people from SBC Warburg, including Mr Peter Corrigan, head of French equities. Several other executives have also been disciplined.

The SFA is also believed to be investigating whether SBC Warburg made a similar error when selling Spanish shares as part of the same programme deal.

The mistake is thought to have cost SBC Warburg no more than \$5m and will not cause the invest-

ment bank, which is owned by the Swiss Bank Corporation, any serious financial difficulties.

Nevertheless the programme trade is one of the largest ever to be awarded to SBC Warburg, and the SFA investigation and staff departures have clearly embarrassed it.

The SFA investigation is focusing on a 30-minute period on October 30. At some time around midday, SBC Warburg traders learnt that the bank had been awarded three contracts by Kleinwort European Privatisation Investment Trust, now in liquidation, to execute a series of share sales - so-called programme trades - on its behalf.

Contracts for programme trade are often awarded just before the deal takes place, and the Kipit deal was no different. It involved SBC Warburg taking the £300m-worth of shares on to its books just minutes later - at 12.30pm - and paying Kipit the mid-market prices for each share at that time.

In order to reduce the risk from the shares they were about to take on from Kipit, in the remaining minutes before the 12.30pm deadline, SBC Warburg traders sought

to sell some of the same shares they were about to get from Kipit. SBC Warburg traders had a good idea which shares they should be selling, thanks to detailed analysis colleagues had done earlier on what shares Kipit owned.

SBC Warburg would have realised that this selling process - known as going short - would cause share prices to fall and thereby reduce the amount of profit Kipit would receive.

However, short selling ahead of programme trades is accepted as normal practice in the City of London, so as prices do not fall too much, share prices had fallen by more than, say, 1 per cent Kipit would probably have complained that the prices it received at 12.30pm were lower than they should have been.

Elsewhere at SBC Warburg, a trader was running an arbitrage position of Kipit. This meant he was seeking to make money by exploiting differences between Kipit's own share price and the prices of the shares it owns.

SFA investigators have been told that in a few minutes before the 12.30pm deadline the SBC Warburg trader ruling the arbitrage posi-

tion was seen on the trading floor making gestures with his hands for traders to get the price of the shares down.

None of this would normally have come to the SFA's attention, but for a mistake by one of SBC Warburg's Paris-based traders which caused some stocks to go into free fall at 12.30pm. Instead of selling as much as he could before 12.30pm - the so-called strike time - SFA investigators have been told that the trader misunderstood his instructions, communicated at speed, and instead attempted to sell at the strike time.

The trader also failed to put a so-called down limit on his proposed share sales, effectively making it into an unlimited sell order.

The French trade shares using a computerised system known as order-driven, and investigators have been told that the trader's mistake led to all his sales being executed automatically and the computer system freezing.

Kipit executives watching the share price collapses on their screens were soon contacted by SBC Warburg and told that they would be paid the amount they would have got if the strike price

had been half-an-hour earlier, at 12 noon.

At SBC Warburg in London, traders realised immediately that the programme trade had gone wrong. In the tapes passed to the SFA, the London-based trader is heard talking with a colleague about how the price of the French shares had fallen much further than they had planned. The trader complains that Alex, a colleague, had just told him - in hindsight after the share prices had collapsed - that they should only have pushed the prices down by 1 per cent.

In a statement yesterday SBC Warburg admitted that its short selling had contributed to adverse price movements. It said: "On Wednesday October 30 SBC Warburg bid for three portfolios of Kipit. In connection with its bid the bank sought to sell into the market. This contributed to adverse price movements in some of the shares in the portfolio concerned."

It added that "we are continuing to assist with the on-going SFA investigation".

William Lewis and Samer Iskandar

## Merger upheaval is overcome

SBC Warburg, the European investment bank formed by Swiss Bank Corporation's takeover of S.G. Warburg two years ago, may have had its problems immediately following the merger. Yet, as its unusually frank results yesterday demonstrated, it appears to have overcome its period of turbulence.

The results - virtually unique among investment banks in breaking down revenues among its business lines - show that SBC Warburg's main engines are its equities and fixed income arms. Its corporate finance advisory arm, a leading force of the former S.G. Warburg, is less significant.

The upheaval after the merger - which led to the departure of at least 55 of 135 former directors of Warburg's merchant bank - has not damaged overall earnings significantly. Indeed, SBC's expertise in equities and fixed income trading has combined well with War-

burg's customer franchise.

"The clients that we lost had not been doing many deals for a long time, and the clients that we were in danger of losing have come back," says Mr Hans de Gier, SBC Warburg chairman.

"We have not really suffered on the revenue side, and on the cost side, we have benefited from the change."

Nonetheless, Mr de Gier admits that corporate finance plays a dual role, attracting advisory fees and acting as the marketing arm of the overall investment bank. He says that it is still being reshaped, and there may be further job losses among the junior-ranking "foot-soldiers".

SBC Warburg achieved return on equity of 16.4 per cent for the year, up from 11.3 per cent in 1995. Mr de Gier says that this would have been 22 per cent but for allocation of costs from SBC centrally. Although 1996 was

a strong year for all investment banks, this is the target range.

Both Mr de Gier and Mr Marcel Ospel, SBC chief executive, yesterday mentioned their concern over tightening margins in investment banking.

However, Mr de Gier argues that Warburg has potential for revenue growth in Europe on the back of industrial restructuring and pensions changes.

His strongest concerns are over costs, and the question of what Warburg will do in the US. He says that he is "terribly, terribly worried" by the inflation in wage costs, caused by the spread of Wall Street levels of bonuses to Europe, and European banks buying staff to build businesses.

"I am worried about bonuses for the top people but the salaries paid to mediocre people. The Europeans may get the worst of both worlds," he says.

He emphasises that SBC Warburg is trying to align its staff's interests with its shareholders by linking bonuses to SBC equity.

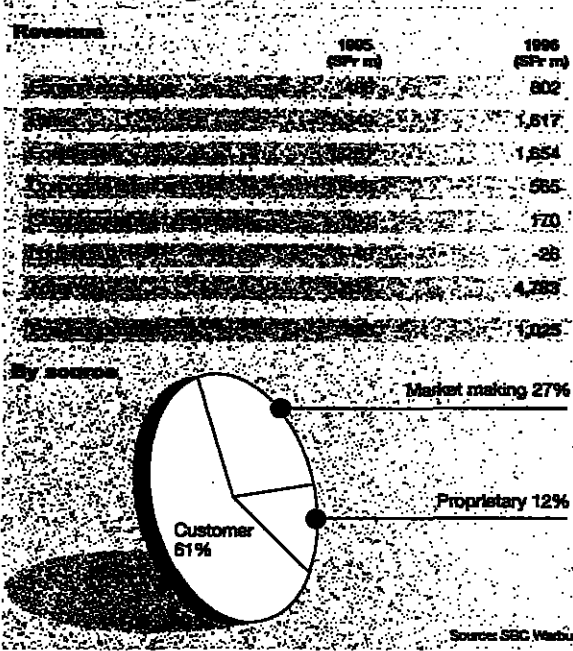
The second issue of concern is the US. Mr de Gier says that its corporate finance earnings are limited by the fact that an estimated 75 per cent of advisory and equity raising fees come from the US. However, SBC is cautious about reinforcing its strength there by buying a US investment bank.

"It is not in shareholders' interests to buy a US business at an unrealistic multiple at the moment. Whether prices will come down, I don't know," he says.

However, he says that Warburg cannot operate in the medium to long term without having a presence in the US domestic market.

Mr de Gier says that one possibility is for it to wait for the turmoil likely to be created by US commercial

## SBC Warburg: the first details



banks buying investment banks. "Things will go wrong, and teams will come loose. That could give us an opportunity to build busi-

ness with teams and boutiques from elsewhere," he says.

John Gapper

## EUROPEAN NEWS DIGEST

## Novo Nordisk focus pays off

Novo Nordisk, the Danish diabetes care and industrial enzymes group, lifted pre-tax profits 17 per cent to DKK2.52bn (US\$387.7m) last year, from DKK2.15bn in 1995. Net profits climbed 15 per cent from DKK1.56bn to DKK1.79bn, taking earnings per share from DKK20.83 to DKK23.98.

The board proposed a 50 per cent increase in the dividend from DKK2.50 a share to DKK3.75.

Mr Mads Olesen, chief executive, said the company was seeing the positive results of a strategy adopted in 1994 for focusing on core products in diabetes care, women's health, growth hormones and industrial enzymes. Sales grew 8 per cent from DKK13.72bn from DKK14.87bn. However, after allowing for disposals, the increase in sales by continuing businesses was 12 per cent.

Hilary Barnes, Copenhagen

## Boost to German TV float

Pro Sieben, the German television and media group which is preparing for a DM1bn (US\$500m) flotation of preference shares in July, said yesterday that turnover in 1996 rose 14 per cent to DM1.67bn. Pre-tax profits rose more than 50 per cent to DM170m. Mr Lothar Lenz, board member responsible for finances, attributed the dramatic leap in profits partly to the costs in 1995 of the takeover of the loss-making Kabel 1, the smaller of the company's two free TV channels.

Regarding the flotation, the company said it hoped for a "healthy mix" of domestic and international, institutional and private investors. As the first Germany television company to go public, Pro Sieben hopes to benefit from the current interest in the potential of the German media market.

Frederick Studebann, Munich

## Domínguez sets Bolsa record

The market sale of 70 per cent of fashion retailer Adolfo Domínguez, to be completed today, has set a record for a Madrid Bolsa listing, with the offering reported to be 50 times oversubscribed.

The issue is likely to be priced tomorrow at Pta3,100, the top of its range, giving the company a market value of Pta26.5bn (US\$183m).

Analysts said investor interest in the 73-store upmarket design company had exceeded the demand generated by last year's listings of the hotel chain Sol-Melia and the fast-food group Telepizza. The rush for the 5.9m Adolfo Domínguez shares on offer adds further volume to the Bolsa and looks certain to prompt more IPOs by small and medium-sized domestic companies.

Demand has been particularly high among domestic investors, who are being offered 60 per cent of the total offering. The retail tranche, which represents 65 per cent of the domestic offering, is estimated to be 75 times subscribed, while demand for the domestic institutional tranche is understood to be considerably higher.

Tom Burns, Madrid

## Chargeurs Int'l back in black

Chargeurs International, the French textile company created last year by the demerger of conglomerate Chargeurs, said yesterday it had returned to the black last year.

It reported net profits of FF138m (US\$23.8m), compared with a FF66m loss for 1995, despite a fall in turnover to FF8.67bn from FF8.82bn.

Reuter, Paris

## Aerospatiale results rise sharply in 1996.

In 1996, orders booked jumped by significant 61%, net Group share profit totaled FF 812 billion, and net debt was cut to 59% of equity. In view of the success of restructuring measures which continue to pay off and the activity generated by the order backlog, 1997 should be characterized by a significant shift towards lasting profitability for the Group.

**Orders.** Orders booked rose by 61%, of which 81.5% on the export market. This performance is attributable to a 126% rise in the orders booked by the Aircraft business and a additional 72% by the Helicopter business. The Space and Defense business incurred a 15% drop in 1996 due to the non-currence of an exceptionally large Ariane 5 order, and despite increases of 8% in ballistic, 2% in satellite and 15% in missile (sports up 87%) business. The order backlog rose from FF 101.5 billion at 31.12.1995 to FF 129.9 billion at 31.12.1996.

**Sales.** In 1996, sales totaled FF 50.9 billion, up 3.6% on a constant dollar and consolidation basis:

- Aircraft business: FF 27.3 bn (+1%)
- Space and Defense business: FF 14.4 (+9%)
- Helicopter business: FF 9.6 bn (+16%)

**Net Profit.** The net Group share profit is FF 812 million compared with a net attributable loss of FF 98 million a year earlier. The latter period was seriously affected by a FF 395 billion provision set up for the 1996-1998 restructuring plan. In 1996 this plan, as predicted, generated savings of only FF 200 million, but it should lead to savings of FF 1.2 billion in 1997 and a further FF 2.8 billion in 1998.

**Net debt.** A further decrease in working capital requirements enabled net debt to be reduced in 1996 by FF 3.6 billion. Net debt now stands at FF 2.9 billion and represents only 59% of the consolidated equity which amounts to FF 4.9 billion.

FF 50.9 bn

(in FF bn)

1995 1996

59.5 63.3

812

(in FF bn)

1995 1996

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## COMPANIES AND FINANCE: THE AMERICAS

## Groups in moves on PC 'broadcasting'

By Louise Kehoe in San Francisco

Intel, the leading supplier of PC chips, yesterday joined Société Européenne des Satellites, the Luxembourg operator of the Astra European satellite TV system, in a venture aimed at delivering multimedia content to PCs in Europe.

Separately, PointCast, the pioneer of Internet broadcasting, and Microsoft, the software industry leader, announced jointly developed technology for Web broadcasting, or "Webcasting".

PointCast also announced it

would offer royalty-free licenses for its broadcast software to any publisher with a site on the World Wide Web.

More than 20 publishers have already taken up the offer and plan to begin Web broadcasting.

Both developments reflect a shift toward "push" technology that automatically delivers information services to a PC user's screen, rather than requiring the user to search for information on the Internet.

PointCast, which already has more than 1m viewers of its ser-

vice, which includes sources such as CNN and the *Los Angeles Times*, aims to expand its reach through the new "Connections" program, which will enable anyone to deliver their content via PointCast.

Unlike the established service, in which publishers share advertising revenues with PointCast in return for services such as tracking users' interest in advertising, publishers can use the Connections program free of charge but will not earn revenues from PointCast advertisements.

Mr Chris Hassett, PointCast pres-

ident and chief executive, said the company had worked with Microsoft to develop a standard format for Internet broadcasting. This technology will be incorporated in the next version of Microsoft's Internet Explorer program, due out this summer.

The SES-Intel venture, called European Satellite Multimedia Services, takes "push" technology a step further. The new company, in which Intel holds a minority stake, plans to broadcast information services ranging from a "Best of the Web" selection of Internet content

to specially produced multimedia programming.

Initially, the EMS service will be aimed at businesses, enabling them to distribute corporate information to remote offices. A consumer-oriented service is planned later.

IBM has formed a partnership with BellSouth, the US regional telephone company, to deliver Internet services. IBM, which operates a worldwide data communication network, will provide network connections and services to BellSouth to expand the carrier's Florida Internet services.

## Pay for Wall Street executives at record

By Tracy Corrigan in New York

Executive compensation for top Wall Street executives in 1996 reached new highs, according to company proxies filed in recent days.

While base salaries remained a small proportion of total remuneration, bonuses and other performance-related pay soared, with total pay for some top executives rising more than 40 per cent to \$10m.

Many Wall Street firms reported record profits in 1996, as strong market conditions boosted earnings from underwriting, trading, and mergers and acquisitions.

"What makes Wall Street remarkable is that there is an absolute correlation between profit and return on equity and compensation,"

said Ms Joan Zimmerman, executive vice president at GZ Stephens, an executive search firm. "You do not see what has been seen in the corporate sector, where chief executives have received exceptionally high pay despite lacklustre stock performance."

Top of the Wall Street pay league to date is Mr Joe Roby, president of Donaldson, Lufkin & Jenrette, who received total compensation of \$33m. However, Mr Roby's basic salary was also the lowest of the leaders, unchanged at \$175,000. His bonus was \$8.5m, and the remainder was largely the result of pay-outs under a long-term incentive plan dating from 1991.

"The firm has performed splendidly over that time frame and an important part

of our compensation strategy is to have long-term compensation plans," DLJ said.

At other Wall Street firms, where pay is more closely linked to a single year's performance, there is a marked cluster of compensation packages around the \$10m mark.

However, at some firms, individual traders or M&A specialists have earned more than their bosses, according to Ms Zimmerman.

Few US companies pay top executives more than \$1m in basic salary, after an Internal Revenue Service ruling in 1994 that remuneration above that level cannot be deducted unless it is performance-linked, according to Ms Carol Bowie, editor of Executive Compensation Reports, a newsletter.

## Wall Street top five



However, Ms Bowie argues, some companies set performance criteria too low, with target return on equity as low as 2 per cent at some Wall Street firms.

The structure of compensation also assumes that executives should be rewarded for performance which may be largely owing to market conditions.

Remuneration is also often based on comparisons with compensation at a peer

group. Bankers Trust, for example, said in its proxy that chief executive officer Mr Frank Newman's compensation was a reward for successful efforts to improve financial performance and build client relationships, after a derivatives scandal which rocked the bank.

But it was also based on comparisons with a peer group made up of Bear Stearns, Chase, Citicorp, Merrill Lynch, J.P. Morgan,

Morgan Stanley, PaineWebber and Salomon Brothers.

"It's a double-edged sword," Ms Bowie said. "Peer group pay comparisons are supposed to compensate for things outside the company's control and permit rewards despite disadvantages which exist, so theoretically there is a good reason for it."

"But year-to-year these things are somewhat easy to manipulate."

## AOL plans to branch out from the Internet

By Andrew Jack in Paris

America Online, the US-based information provider, plans to branch out from the Internet and distribute its services through television and other media. In an interview in Paris, Mr Steve Case, chairman, said the group was likely to make announcements later this year on pilot programmes using other media.

He stressed that AOL should be seen not as a computer-based Internet service, but rather as "an interactive medium" which could be transmitted by television, personal computer, pocket digital assistant, telephone, cable or satellite.

Mr Case argued that using the home computer seemed logical because a high proportion of US households owned one, but that in other regions - such as Europe, where the penetration of

computers was lower - other media could equally be used to distribute its services.

His comments come as AOL prepares to launch a service in Japan next month, in partnership with Mitel and Nikkei, following its development of services outside the US in the past few years, in Canada, Germany, the UK, France and Sweden.

Mr Case said that after a series of deficits - in part caused by a change in accounting policies - AOL should be reporting profits from the June quarter this year.

He said that its European operations, which run as a joint venture with Bertelsmann of Germany announced in 1995, should be profitable during 1996, ahead of initial projection.

Mr Case indicated that AOL was considering distribution of its services in other countries, notably

Australia, and said this could be done through partnerships or fully-owned subsidiaries of the US parent.

About 10 per cent of AOL revenues currently come from advertising and the sale of products on-line, but Mr Case said he expected that proportion to grow to about 50 per cent within the next five years.

In spite of the growth in competition from rival services, he expressed confidence that AOL would continue to play a leading role, illustrated by the increase in both the number of subscribers and the hours they spent on-line over the past few years.

AOL has 8m clients, including 100,000 in Canada and 500,000 in Europe. He said that average connection time was now 16 hours a month, compared with three hours five years ago, when it had 200,000 clients.

SOPHIA  
Commercial property business  
25 years of controlled development (1971-1996)

Dividend maintained			
Main consolidated figures (in millions of French Francs)	1996	1995	1994
Turnover	2,445	2,780	2,345
of which rentals	243	243	254
Net banking income	392	392	393
Gross cash flow	319	319	310
Consolidated gross profit	250	250	246
Consolidated net profit	288	288	305

## FF 1.7 BN

Production doubles

## FF 14.9 BN

Net managed commitments  
FF 12.6 in leasing  
FF 2.3 in assetsGlobal dividend  
of FF 12.75 per shareUpturn expected  
in 1997

Production rose to FF 1.7 bn compared with FF 0.8 bn in 1995 due to the implementation of the new leasing system by the specialists at Sophia. Investments in financial and real estate assets included in this amount remained highly selective (FF 80 million).

For Sophia, like the rest of the sector, 1996 continued to bear the cumulative effects of the economic crisis and the property crisis - loss of rental income and charges not recovered on vacant properties, miscellaneous provisions (FF 53 million net compared with FF 37 million in 1995).

Consolidated gross profit amounted to FF 238 million (-4.8%) whereas gross cash flow was almost unchanged due to the growth in depreciation on assets (FF 77 million compared with FF 69 million in 1995).

Consolidated gross profit for the first time included the change in the deferred reserves (+ FF 10 million). The cost (FF 9.6 million) of issuing the 10-year FF 1 billion bond loan in December was expensed in full in the year's accounts.

Consolidated net profit amounted to FF 256 million with net capital gains realised in particular from the asset arbitrage policy this year totalling FF 27 million compared with 41 million in 1995.

A dividend of FF 12.75 per share including a tax credit of FF 0.50 will be proposed at the meeting of shareholders on 15 May 1997. The dividend is unchanged on 1995.

The first effects of 1996 production and the beginning of an upturn in rental revenues, down over the past three years, offer a more favourable outlook. Barring any setbacks or unforeseen events, 1997 gross profit should return to 1995 levels.

SOPHIA

63, avenue des Champs Elysees - 75008 Paris - Tel: (33) 1 44 35 47 18

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COMPAGNIE  
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has sold to

WHITEHALL STREET REAL ESTATE LIMITED PARTNERSHIP VII

its entire property loan portfolio to real estate professionals and all its own property development projects with an overall net value of approximately FF4 billion.

CREDISUEZ has been advised in this transaction by

LAZARD FRÈRES ET CIE

January 1997

## AMERICAS NEWS DIGEST

## GM moves closer to Delphi offering

General Motors yesterday moved a step closer to a public offering of shares in its giant parts-making business, Delphi Automotive Systems, with the disclosure that the unit had achieved stronger profit margins than the US group's core vehicle assembly business in recent years. While helping set the stage for the planned sale of a 20 per cent stake of Delphi, the news also underlined the scale of the problems still faced by GM's North American assembly operations. The results of the two have not been disclosed separately before.

Delphi's after-tax profits in 1995 reached \$918m, or 3.5 per cent of sales, before falling back to \$328m, or 2 per cent of sales, last year owing to a series of strikes. GM said its North American assembly business, on the other hand, earned \$1.47bn, or 1.5 per cent of sales, in 1995 and \$730m, or 0.5 per cent of sales, last year. GM said it had revealed the figures because it had moved internally towards judging the two businesses separately in recent months. However, the news will also make it easier for potential investors in Delphi to assess its value as a stand-alone company. The figures suggest that, if Delphi can regain the sort of profitability recorded in 1995, it could be worth more than \$8bn. Shares of other leading US parts makers generally trade at 9-10 times earnings.

Richard Waters, New York

## Toys R Us ahead weakly

Toys R Us, the world's biggest toy retailer, saw underlying profits growth of only 7 per cent in the fourth quarter because of a poor Christmas for toy and game sales in the US, the company said yesterday. However, it said the outlook for the current year was "excellent" because of an abundance of new products, including software for the Nintendo 64 video game machines and toys based on the revival of the Star Wars movie trilogy. Yesterday the company said worldwide sales in the quarter to February 1 rose 1 per cent to \$4.7bn. Including special charges this year and last, net profits rose from \$33m to \$38m. Without the charges, they rose from \$32m to \$36m, or \$1.38 a share. For the full year, sales rose 5 per cent to \$3.5bn and net profits, excluding special charges, rose 12 per cent to \$465m, or \$1.68 a share.

Richard Tomkins, New York

## Acquisitions hurt Thomson

Improved operating earnings at Thomson Corporation's publishing, newspaper and travel businesses last year were offset by the impact of acquisitions and disposals, resulting in a substantial drop in net earnings. But the Canadian-controlled group said the flurry of deals that marked the past decade, including about 350 acquisitions and 200 disposals, was near an end.

Net earnings fell to US\$381m, or 95 cents a share, from \$799m, or \$1.34, in 1995. Sales climbed to \$7.72bn from \$7.23bn. Excluding gains on disposals, earnings dipped to \$413m from \$439m. However, operating income from existing businesses rose from \$799m to \$943m.

UK-based Thomson Travel's operating income rose slightly to \$108m, including a modest reduction in traditional fourth-quarter losses. Last year's earnings were also dented by recent acquisitions, notably West Publishing, the large US legal information supplier, bought last June. Thomson shares, which have risen sharply over the past year, eased 30 cents to C\$29.90 in Toronto early yesterday.

Bernard Simon, Toronto

## Telus sells UK cable stake

Telus, Canada's third biggest telecommunications company, is selling its 50 per cent stake in Telecelcom Communications, a British cable TV/telephone group, to Vision Networks of the Netherlands for C\$330m (US\$286m), plus reimbursement of any further advances. Alberta-based Telus expects to post an after-tax gain of C\$128m. Vision Networks will now own 100 per cent of Telecelcom.

Robert Gibbons, Montreal

## USAirways adds to BA suit

USAirways yesterday alleged that British Airways representatives on its board of directors had breached their responsibility as joint venture partners of the US carrier. USAirways said the charge had been added to its lawsuit against BA, which was filed in July in federal district court in New York on the grounds that BA had violated a 1993 alliance with USAirways by pursuing a tie-up with American Airlines.

AFP, Washington

## Amelio expected to take axe to Apple

By Louise Kehoe

Tomorrow will be "Black Friday" at Apple Computer, the day the struggling personal computer company plans to announce big cuts and job losses expected to top 2,000.

The cuts come as confidence in Apple's future dwindles. Executives in the US computer and software industries talk of Apple as a "lost cause". In Internet discussion groups, Macintosh fans debate where to put blame for the group's demise. Still, Apple has not given up. In January, Mr Gil Amelio, chairman and chief executive, said the company would cut costs to lower its

break-even point to \$8bn in annual revenues. Revenues in 1996 were \$8.5bn.

Even that might not be enough, he acknowledged at the Apple shareholders' meeting last month. Apple would make "tough choices". It would create a "hot list" of things the company had to do and a "hit list" of activities it could no longer afford. Projects and products would be "dropped or divested" he said.

Rumours are rife about which parts of Apple may be cut. The New York hand-sold "personal digital assistant" - which has disappointed since its launch in 1993 - heads the list. Yet if the cuts are to have any

lasting effect, analysts say they must include a big reduction in Apple's R&D budget, one of the highest in the PC industry.

With its proprietary Macintosh technologies, Apple is forced to spend heavily on development of hardware and software, while the rest of the PC industry relies upon Intel, the primary chip supplier, and Microsoft, the software leader, to shoulder the costs. In the December quarter, for example, Apple recorded revenues of \$2.1bn and spent \$1.9bn on R&D. Comparing the PC market leader, had revenues of \$5.4bn and R&D costs of \$1.05bn.

Analysts have long urged Apple to

create an alternative "standard" for personal computing by licensing hardware and software. Yet as the market for "Macintosh clones" takes off, Apple is "reviewing" licensing agreements - apparently with a view to raising fees. Already, one of the largest "Mac clone" builders has said it plans also to make "standard" PCs.

Whether Mr Amelio will bite the bullet and slash costs will remain a matter of intense speculation for the next 24 hours. If he takes anything less than drastic action, however, many investors, customers and Apple supporters will be bitterly disappointed.

## Marsh &amp; McLennan regains top spot

Marsh & McLennan's purchase of Johnson & Higgins catapults it back into number one position among the world's biggest insurance brokers and creates a yawning gap in size between the US heavyweights and their nearest competitors, the UK-based brokers.

Just three months ago, there were six in the top league of global brokers. There will shortly be four.

Strangled profit margins and sluggish revenue growth have precipitated a wave of consolidation which has reverberated through all levels of the industry and threatens to swamp those too slow to react.

Insurance broking long ago ceased to be simply a matter of matching clients with underwriters. The customer has become more sophisticated. Multinationals are assuming considerably more risk themselves than in the past, and are demanding from the broker a broader global reach.

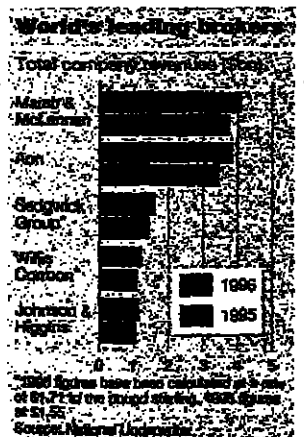
The demand for traditional

broking services has declined and the industry is relying less on the commission earned from single transactions and more on fee-based consultancy work. Excess capacity, following several years of exceptional profits in world insurance markets, has combined with a lower incidence of catastrophes to push insurance rates sharply lower.

That has increased the pressure on brokers with less well-developed consulting businesses to consolidate.

The industry was still reeling from Aon's \$1.23bn acquisition of US rival Alexander & Alexander, announced last December, when Marsh & McLennan, knocked into second place by that deal, unveiled its \$1.8bn takeover of Johnson & Higgins.

Under Mr Patrick Ryan, its chief executive, Aon had already demonstrated rapid expansion in insurance broking. It spent some of the \$1.36bn it had raised from selling two US life insurance



subsidiaries on buying Bain Hogg, the UK broker, last October. For Mr Ryan, critical mass is paramount, and Aon is expected to cut costs worldwide by some 7 per cent.

This deal on its own posed a considerable threat to Sedgwick and Willis Corron, both UK-based brokers with sizeable operations in the US.

Mr Sax Riley, chief executive of Sedgwick, has been open about impending con-

solidation and his willingness to be involved.

Marsh & McLennan, which already has a well-developed consulting arm and additional earnings from Putnam, an investment management business, can adopt a more relaxed approach. Overall revenue increased 10 per cent to \$4.1bn, and net income rose 16 per cent to \$98m in 1996.

The advantage for the group in buying Johnson & Higgins is the scope for cost savings of \$150m and for expansion in certain overseas markets.

In addition, Johnson & Higgins has led the market for setting-up insurance captives.

There is little information on Johnson & Higgins. As a partnership, it does not have to publish an annual report and accounts. It has competed with Marsh for more than 100 years in the US, and is best known for having arranged the insurance for the Titanic. As the smaller of the two and with the bigger exposure to traditional

broking, it may have been under more pressure to find a strong partner.

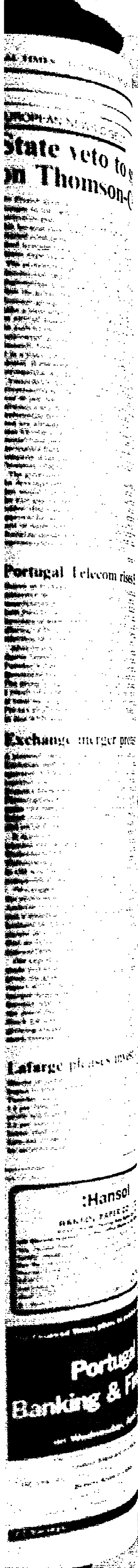
David Olsen, chief executive, says: "Looking at the consolidation that has occurred, we were capital constrained to some degree. We recognise that size is important and we want to expand our own global reach."

For Sedgwick and Willis, the market just got tougher. Still recovering from the messy merger of the two brokers that created several years ago, Willis has rejected the arguments for merging. But another review of strategy is expected to follow yesterday's deal, as it did Aon's move in December.

According to Mr Roman Cistyn, analyst at Merrill Lynch in the UK, "this leaves a big question mark about what Willis and Sedgwick are going to do. It has at least increased the chance of the two talking."

Christopher Adams

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## INTERNATIONAL CAPITAL MARKETS

## European peripheral sector underperforms

## GOVERNMENT BONDS

By Samer Iskander  
in London and  
Lisa Branston  
in New York

The European peripheral markets underperformed the so-called "core" yesterday - with yield spreads of Italian, Spanish and UK government bonds over German bunds widening.

In the US, Treasury prices were barely changed as market participants awaited the Federal Reserve's Beige Book on the state of the economy.

UK gilts were dragged down by a weakening of sterling on the foreign exchange market. The June

long gilt future settled at 111 1/2, down 1/2 and only 1/2 above the day's low.

Sterling's fall was sparked by comments from Mr Howard Davies, deputy governor of the Bank of England, interpreted by traders as expressing concern that the currency was overvalued.

Although Mr Davies later explained that his comments reflected the view of financial markets rather than his own, sterling remained weak and gilts failed to recoup their losses.

In the cash market, the yield spread of gilts over German bunds widened by 6 basis points to 178 points, as the 10-year benchmark gilt fell 1/2 to close at 101 1/2.

"There was no reason for the market to react negatively," said Mr Andrew Roberts, gilts analyst at UBS in London. "At these levels gilts offer good value for investors."

The weakness of sterling overshadowed the day's other events in the UK, such as the release of bullish data showing industrial production in January was slightly lower than analysts' expectations.

Mr Roberts also said the announcement by the Treasury of its funding programme "contained no surprises". Gross sales of gilts will total \$36.5bn in the 1996-97 fiscal year, roughly in line with previous estimates.

Italian bonds showed the day's worst performance. In London, the June futures contract on 10-year BTfPs settled one full percentage point lower at 125.75, before plunging another 0.30 in after-hours trading.

In the cash market the 10-year yield spread of BTfPs over equivalent bunds widened by 15 basis points to 194 points.

Analysts attributed the weakness to the continuing uncertainty surrounding Italy's chances of joining the European economic and monetary union as a founding member in January 1998. This is seen as being largely dependent on a mini budget due to be finalised in coming weeks.

"There is nothing new in terms of market-moving news," said one BTfP trader. "It just seems that investors prefer to stay on the sidelines until the situation becomes clearer."

Spanish bonds fell in the wake of the bullish Italian market. In Barcelona, the March future on 10-year bonds closed at 112.93, down 0.34.

In the cash market the 10-year yield spread over bunds rose by 4 basis points to 131 points.

Traders said they were awaiting today's release of consumer price data for February. A modest fall is expected from January's rate of 2.9 per cent, analysts said.

German bunds ended the day flat. The London-listed June bund future closed 0.01 lower at 101.78, but weakened further in after-hours trading to a low of 101.65.

US Treasury prices were also flat in early trading as the markets waited for the afternoon release of the Federal Reserve's report on the state of the economy - known as the Beige Book.

Near midday, the benchmark 30-year Treasury bond was 1/2 lower at 97 1/2, to yield 6.852 per cent, while the two-year note was down by 1/2 to 95 1/2, yielding 6.096 per cent. The March 30-year bond future contract weakened by 1/2 to 110 1/2.

Investors remain nervous about whether the Fed will

raise interest rates at the March 25 meeting of its Open Market Committee, and Mr David Munro of High Frequency Economics said that the Beige Book would be the "week's best form of market guidance".

While a growing number of economists are expecting an increase in interest rates, Mr Munro does not think the Federal Reserve would tighten unless the Beige Book shows that manufacturers are losing their ability to control labour costs and that consumers are becoming more willing to accept price increases. "It is a close call," he said, "but for now, supply and demand seem to be pretty well balanced."

## Cedel in warning on euro switch

By Samer Iskander

Existing debt securities in European currencies should not be redenominated in the single currency - the euro - Cedel Bank, the Luxembourg-based international depositary said yesterday. However, it insisted that prospectuses for future issues should contain a clause stipulating whether and how the issuer intends to deal with redenomination. The clearing bank also recommended that transactions among financial intermediaries involving non-redenominated debt be settled in euros after the launch of the currency.

Cedel, which handled the settlement of more than \$15,000bn of securities on behalf of clients in 1996, warned of the costs associated with redenomination and said the process could have an impact on the securities' liquidity. Although redenomination is an issuer's decision, Cedel said it should not be undertaken unless "the legal basis is undisputed both from an issuer's and an investor's viewpoint".

Some borrowers, including sovereign and state-backed entities, have said they will convert their debt into euros at a rate of one-for-one. However, Cedel believes legal uncertainty may exist over debt issued prior to the signing of the Maastricht treaty.

Cedel's announcement was backed by the Forum, a working group describing itself as "a platform for international non-governmental organisations acting in the interests of the global marketplace".

## Nursing Home Properties offers lease-backed deal

## INTERNATIONAL BONDS

By Samer Iskander  
and Edward Luce

With the short end of the sterling yield curve suffering from recent oversupply, borrowers turned to longer maturities yesterday. Issuance was yesterday dominated by asset-backed deals offering relatively generous yield spreads over gilts.

Nursing Home Properties launched \$100m of bonds backed by the leases on 39 nursing and residential homes in the UK. The homes, which are to be acquired with roughly three-quarters of the proceeds, are leased to 11 care home operators.

NHP will manage the leases, collect the rents and transfer them to bond holders in the form of semi-annual coupons. The remain-

ing quarter will fund future acquisitions.

"Securitisation has been an important strategic milestone," said Mr Richard Elliott, chief executive of NHP. "The funds raised will facilitate the acquisition of further care home properties. We expect this to be the first of a series of such issues." NatWest Markets arranged the deal.

Two tranches of paper were issued, and have been rated AAA and BBB by Duff & Phelps, the US credit rating agency. These ratings are based on, among other things, the reliance placed on occupancy rates and fee income assumptions.

Duff & Phelps said that, based on the UK demographic situation, it expects "the demand for nursing and residential home care to continue to rise into the next century".

Daiwa and UBS jointly managed a \$77.8m issue for North Avon Investments, a financing vehicle set up to acquire and manage the lease on the Bristol headquarters occupied by Sun Life Assurance. The assets backing the issue are the flow of future rents and the building itself.

Daiwa said the deal was oversubscribed, which led to a slight tightening in the yield spread over gilts from its original 74 basis points.

The bonds are gradually redeemed after the 15th year with the rental income. UBS explained that because of pre-arranged increases, the cash flows from the rent will be sufficient to service both interest and principal repayment until this period.

Morgan Stanley chalked up a minor debut yesterday when it issued the first sterling bond to be co-lead man-

aged with Dean Witter. The \$200m deal, priced to yield 18 basis points over Libor, traded at a price in the secondary markets.

The bonds were distributed mostly to European and UK investors with a small part going to Asia. With denominations of \$100,000 as part of Morgan Stanley's medium-term note programme, the debt was targeted at mostly institutional investors.

"There were a few high net worth individuals but mostly it was the big banks and other institutions," said one trader in London. Traders said Morgan Stanley was hoping the issue would help lead to an upgrade of its debt rating, which is currently at A1A plus.

Retail investors had a stronger showing on DSL Finance's seven-year DM500m issue yesterday.

## New international bond issues

Borrower	Amount m	Coupon %	Price	Maturity	Yield %	Spread bp	Book-runner
US DOLLARS							
USLT, 97-1, Class A1(12)	1.15bn	6 1/2	102 1/2	Apr 2005	0.225%		Goldman Sachs
USLT, 97-1, Class A2(12)	797.4m	6 1/2	102 1/2	Oct 2010	0.27%		Goldman Sachs
US D-MARK							
DSL Finance	500	5.25	98.50	Apr 2004	0.30%	+500.00	Mandor WestLB
STANLEY							
Morgan Stanley Group Inc	500	6.00	98.25	Apr 2005	0.25%		J Stanley/Dean Witter
Class A1(12), 97-1	50	6.00	98.45	Apr 2005	0.25%	+0.00%	NatWest Capital Markets
Class A2(12), 97-1	450	6.00	98.45	Apr 2005	0.25%	+0.00%	NatWest Capital Markets
North Avon Investments	200	5.25	98.50	Apr 2005	0.30%		Goldman Sachs
EURO DOLLARS							
USLT, 97-1, Class A1(12)	1.15bn	6 1/2	102 1/2	Apr 2005	0.225%		Goldman Sachs
USLT, 97-1, Class A2(12)	797.4m	6 1/2	102 1/2	Oct 2010	0.27%		Goldman Sachs
US D-MARK							
DSL Finance	500	5.25	98.50	Apr 2004	0.30%	+500.00	Mandor WestLB
STANLEY							
Morgan Stanley Group Inc	500	6.00	98.25	Apr 2005	0.25%		J Stanley/Dean Witter
Class A1(12), 97-1	50	6.00	98.45	Apr 2005	0.25%	+0.00%	NatWest Capital Markets
Class A2(12), 97-1	450	6.00	98.45	Apr 2005	0.25%	+0.00%	NatWest Capital Markets
North Avon Investments	200	5.25	98.50	Apr 2005	0.30%		Goldman Sachs
EURO DOLLARS							
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# BP will reach growth target early

By Robert Corzine

British Petroleum's target to raise underlying annual profits £1.5bn by the end of the decade will be reached at least a year early, largely because of a sustained 5 per cent a year expansion of oil and gas production.

Mr John Browne, BP's chief executive, told investment analysts in London yesterday that oil and gas output would jump by two-thirds over the next decade to 2.5m barrels a day. Moreover, the strong growth in output would be matched by annual additions of new reserves, he said.

BP confirmed that it and its partners had made two big discoveries last year. The Persian Gulf off Australia's Northwest Shelf contained an estimated 8,000bn cu ft of natural gas. The other big discovery was the Girassol

oil field off Angola.

But Mr Browne said BP had also extended the life of the big old US and UK fields that have been its traditional production base. In the UK, North Sea unit costs at the ageing Forties field were falling at a stage when they normally rise.

BP intends to reinforce its position as a mainly upstream-oriented company by directing most of its \$5.6bn capital expenditure this year on exploration and production.

Mr Browne said strong growth of low-cost volumes should help BP - whose share price traditionally tracks that of the crude oil price - become less sensitive to such external influences. "BP is no longer an oil price play," he said.

He did not foresee any big strategic change of direction for the group. Nor did a

"sustainable" annual growth rate for the company's revenues of 10 per cent depend on taking any radical actions.

Asked whether possible tax policies of a Labour government in the UK might undermine BP's premier position in the North Sea, Mr Browne said it was clear that the current offshore fiscal regime had succeeded in lifting production and ensuring steady investment.

"Industries generally don't like too many changes."

Although BP achieved a record 30 per cent rise in net profits last year, Mr Browne said there was "no pressure at the moment" from shareholders for an early special dividend or share buy-back. It was determined "to give a direct reward to shareholders", but he noted that dividend growth last year was also 30 per cent.



John Browne: two large discoveries - off Australia and Angola - were made last year

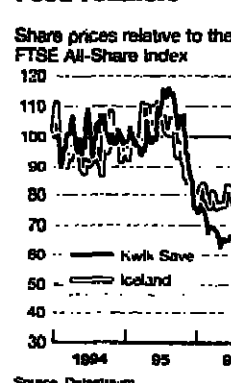
## LEX COMMENT

## Iceland

J Sainsbury has been branded the victim of the so-called supermarket wars, but the real losers have been small high-street retailers such as Iceland, Kwik Save and Somerfield. Their shares now trade at half Sainsbury's price/earnings ratio. And this may not fully reflect their woes. Supermarkets have lower costs and are winning sales with loyalty cards, low prices, own brands and longer opening hours. One solution for the smaller retailers could be industry restructuring. But while food retailers would love to cherry pick the best stores from their weaker competitors, nobody wants the lot. And merging Kwik Save and Iceland would add up to little more than Kwiksand.

Iceland has therefore turned to financial restructuring. And all credit to management for looking at creative methods of rewarding shareholders in this bleak environment. It plans to gear up by buying back 35 per cent of its shares at a premium price. This reduces the dividend and tax bill, and gears up equity returns if profits recover. However, it does not address Iceland's fundamental problem, which is that its niche as the high-street seller of frozen foods is rapidly evaporating. And other sales initiatives, such as home delivery, look unlikely to stop the rot. If profits decline, a leveraged Iceland will have to cut capital expenditure to pay interest, creating a vicious circle of business decline. Shareholders should therefore thank management and accept as much of its kind offer as possible.

## Food retailers



## ICL loss cut to £2.5m after rejig

By Paul Taylor

ICL, the information technology systems and services company which is limbering up for flotation by 2000, completed its restructuring and almost broke even last year.

Mr Keith Todd, chief executive, said the group, which is 90.1 per cent owned by Fujitsu of Japan, had successfully completed its transition from an old-style computer company into a systems and services business, and was poised for growth. "We have established ICL as a focused systems and services company and are well placed to build on the sound foundations in 1997."

ICL, which made a number of disposals last year as part of its restructuring, reduced pre-tax losses to £2.5m (£4.07m), against £18.3m in 1995 after exceptional charges of £151.5m. Turnover dipped to £2.92bn (£3.11bn) while operating losses were £6.8m.

Operating profit on continuing operations was £38.5m (£97.7m loss). The figures included an exceptional credit of £13.3m for unused provisions. Revenues on continuing operations were flat at £2.44bn (£2.48bn).

Among the businesses sold were D2D, the contract manufacturing side, and ICL Medical and Access Manager. In addition, the volume products personal computer operations were transferred to Fujitsu.

As a result of these moves, ICL's headcount fell from 24,000 to 19,000.

Looking ahead, Mr Todd set out a number of priorities for 1997 including improving margins. He said the financial improvement last year was "more modest than I would have liked", but expressed confidence that the group would "make reasonable progress this year" towards enhancing operating margins. The target is 5 per cent.

He said focusing on its existing operations in specialist systems integration, outsourcing and IT services, and on key market segments had helped ICL win a number of important contracts.

In particular, ICL won the £1bn contract to automate 19,500 post offices and the system for making benefit payments to 20m recipients - a contract which will produce more than £200m in annual revenues.

## Slowdown at core Rentokil business

By Ross Tieman

Shares in Rentokil Initial, which became the world's biggest services group after acquiring BET last spring for £2.3bn, dropped more than 9 per cent yesterday after news of slowed growth in the core cleaning and pest control businesses.

Pre-tax profits soared 48 per cent to £318m (£518.3m) in 1996, thanks mainly to an eight-month contribution from the BET businesses. Underlying profits growth at the original Rentokil busi-

nesses slowed to just 6.25 per cent.

The highly rated shares fell 42¢ to 415¢. Sir Clive Thomson, chief executive, said the slowdown, after more than a decade of earnings growth exceeding 20 per cent a year, was a temporary blip.

Sir Clive said monitoring Rentokil performance had taken second place to integrating BET. "If we hadn't acquired BET I would be very surprised if the Rentokil results that you have seen today would have been the same results, because

management would have had as its highest priority growth in earnings of 20 per cent", he said. But performance was improving.

Analysts were deeply divided about the outcome. "The period of 20 per cent a year earnings growth seems to be over," said one. "It seems clear now that they bought BET just to keep it going for another couple of years."

But others suggested the share price fall was excessive. "Clearly it is difficult to integrate a business of this

size," said one. Assessments of performance were complicated by Rentokil's decision to absorb £18.4m of integration costs within its operating expenses.

Brokers said future profitability would be flattered by Rentokil's decision to write off last year £250m of BET's £312m of net assets after a review conducted with its auditors, Price Waterhouse and KPMG.

But if sterling remains strong, the group, which earns more than half its revenues outside the UK, will

see profits eroded by 5 per cent upon translation.

Aided by an eight-month contribution from the BET businesses, Rentokil marginally exceeded its growth target in 1996. The BET businesses contributed £4.6m to pre-tax profits. The original Rentokil businesses raised pre-tax profits 9 per cent to £333.4m.

Rentokil also announced a 2-for-1 share split in an effort to attract more individual investors.

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## Barclays and Rodamco in £249m deal

By Andrew Taylor, Construction Correspondent

Barclays is selling a large part of the property portfolio of Imry Holdings, the development company it rescued in 1992, for £249m (£406m).

The sale to Rodamco, the Dutch property investment fund, excludes Imry's proposed 1m sq ft retail centre in Southampton, potentially its most attractive asset.

Rodamco said that it had not ruled out making a bid for the development, which is expected to cost up to £250m. Marks and Spencer yesterday announced that it was joining John Lewis as the second anchor tenant at the 53-acre West Quay development. Last week Southampton city council approved detailed designs for the shopping mall.

However, rival property

companies which also considered the Imry portfolio said there were a number of hurdles still to be overcome at Southampton which could explain Rodamco's decision not to proceed. The Dutch group had been expected to pay up to £450m for the whole of Imry.

Concerns about the Southampton project were believed to include provisions in the planning permis-

sion which some developers regarded as too onerous. There were also worries at the time it might take to pursue compulsory purchase orders.

Mr Martin Myers, Imry's executive deputy chairman, said: "I am not aware of any onerous provisions attached to the planning permission: we now own 99 per cent of the land. The compulsory purchase orders are simply a

mopping-up exercise. Barclays has sold 14 Imry properties, including the 500,000 sq ft Shires shopping centre in Leicester. The proceeds would be used to repay £114m of third-party debt and £91m of debt owed to the bank.

The remaining £44m would be used partially to redeem £100m of preference shares. In Barclays' books at £56m, and to pay sale costs.

## Sorrell hints at breaking up WPP to return value

By Tony Jackson

WPP, the advertising group, could be broken up in five years if it does not add sufficient shareholder value, Mr Martin Sorrell, chairman, said. This could be achieved by divestment or by reducing the role of the corporate centre.

WPP, which embraces the J Walter Thompson and Ogilvy & Mather agencies, has 40 operating companies worldwide. Assembled by acquisition in the late 1980s, they include BMRB, the market research company, and Hill and Knowlton, the public relations agency.

Corporate break-ups are increasingly fashionable in the UK, following a trend set in the US.

Mr Sorrell's remarks, in an interview with the Financial Times, come at a sensitive time for WPP's share price. Under the second instalment of a controversial incentive plan set up for Mr Sorrell two years ago, he receives free shares worth almost £3m if the price remains above 230p until next Monday's close. Yesterday's closing price was 264½p.

Mr Sorrell said: "The basic issue is shareholder value."

WPP's corporate centre cost £16m-£17m a year. "One must compare that with the extra revenue it brings." At present, about 25 per cent of WPP's £1.7bn revenues involved co-operation between group companies.

If you work that through, it more than covers the cost," he said.

WPP would also look for intangible benefits from working as a group. If at the end of four or five years insufficient value was being added, options include divestment, restructuring or reducing the role of the centre to a holding company.

## Reed Elsevier advances 10%

By Raymond Snoddy

Reed Elsevier, the Anglo-Dutch information and media group, yesterday announced a rise of nearly 10 per cent in pre-tax profits to £306m (£1.3bn), largely through organic growth.

The results, Mr Nigel Stapleton, joint chairman, said yesterday "were not spectacular, only bloody good".

He pointed out that a 4 per cent earnings dilution from

selling consumer businesses had been absorbed, and a decision taken to invest in long-term developments.

The biggest investment involved preparation for electronic publishing.

"We have de-emphasised the importance of acquisitions in our growth," he said, although Reed Elsevier could manage a £30m acquisition if the right opportunity came along.

In 1996 the company spent

£316m principally in buying Tolley, the UK tax and legal publisher, and a 50 per cent stake in Shepard's, the US legal citation service.

Operating profits at continuing operations rose by more than 12 per cent to £366m on sales of £3.38bn (£3.2bn).

The Reed International board also announced yesterday a proposed 2-for-1 share split. The shares slipped 17p to £11.56½p.

## RESULTS

		Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends Corresponding dividend	Total for year	Total for year
Argent	Yr to Dec 31	19.42	(15.42)	6.57	(13.5)	8.2	(19)		
Baynes (Charles)	Yr to Dec 31	251.1	(202.5)	22.5	(17.7)	8.39	(8.8)	1.85	May 23
Bilston	Yr to Dec 31	6.81	(6.85)	0.035	(0.15)	1.7	(8.4)	3.1	May 22
Brant Int	Yr to Dec 31	140.1	(142.5)	10.29	(2.52)	9.1	(1.7)	2.2	Apr 29
Chubb Int	Yr to Dec 31	79.7	(78.4)	5.37	(4.55)	31.7	(27)	12.5	May 12
Corbiss Int	6 mths to Dec 31	4	(4.9)	4.31	(1.6)	31	(1.4)		
Droid	6 mths to Dec 31	0.38	(4.56)	1.8	(0.857)	4.51	(2.03)	0.8	Apr 4
Haden Macdon	Yr to Dec 31	597.1	(438)	15.5	(11.1)	8.81	(8.5)	1.9	July 3
Haywood Williams	Yr to Dec 31	636.8	(522.5)	37.24	(38.7)	21.7	(28.7)	0.8	May 1
Iceland	Yr to Dec 28	1,427	(1,375)	56.2	(72.5)	13.19	(7.01)	3.8	May 27
Imry	Yr to Dec 31	22.9	(21.4)	1.32	(1.4)	16.8	(16.1)	3	July 4
Leeds Wile	Yr to Dec 27	68	(68.3)	2.89	(1.04)	5.29	(1.9)	1.25	Apr 29
Lindhart	Yr to Dec 31	19.5	(30.7)	12.74	(6.85)	22.41	(7.21)	nil	nil
Mowbray (John)	6 mths to Dec 31	37.3	(34)	3.1	(2.53)	8.29	(6.75)	2.8	Apr 18
Malays	Yr to Dec 31	353.4	(315.2)	2.54	(2.1)	1	(0.96)	0.33	0.66
Milford Int Home	Yr to Dec 29	113.9	(88.3)	124	(15.2)	5.2	(7.91)	2.5	3.8
Reed Int	Yr to Dec 31	3,391	(3,348)	895	(735)	59.2	(61.7)	18.55	May 28
Reed Int Int	Yr to Dec 31	2,340	(2,745)	219.4	(14.5)	17.13	(14.22)	3.58	May 17
Salesforce	Yr to Dec 31	-	-	238.7	(197.3)	91.9	(71.5)	14	May 2
Sol Contractors S	Yr to Dec 31	871.7	(497.4)	32.3	(108.7)	1.2	(8.27)	-	-
Telwest Comm	Yr to Dec 31	280.3	(191.2)	249.8	(114.7)	17.1	(10.5)	-	-
Ti	Yr to Dec 31	1,757	(1,703)	232.2	(184.8)	34.1	(28.5)	9.75	May 30

Investment Trusts

		NAV (p)	Attributable Earnings (p)	EPS (p)	Current dividend (p)	Date of payment	Corresponding dividend	Total for year	Total for year
Barclays	6 mths to Jan 31	113.82	(103.58)	4.82	(5.14)	10.01	(12.73)	3.4	Apr 30
F&C Enterprise	Yr to Dec 31	140.9	(102.6)	2.81	(1.82)	2.89	(1.72)	2.4	Apr 23
Kellogg Trust	Yr to Jan 31	210.2	(173.4)	0.494	(0.528)	3.74	(3.98)	2.3	May 16
Merchants Trust	Yr to Jan 31	326.4	(255.9)	14	(12.7)	13.66	(12.41)	3.9	May 22

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. □ Net rental income. ▲ After exceptional charge. ▼ After exceptional credit. (1) On increased capital. (2) On reduced capital. \* Comparatives restated. \*\* Turnover and profit figures relate to combined Reed Elsevier businesses. \*\*\* Items. \*\*\*\* Includes foreign income dividend element. + Third interim; makes up to date.

## DIVESTITURE OF STATE-OWNED ENTERPRISES

LIST OF AUTHORISED DIVESTITURES - AUGUST 1 - DECEMBER 31, 1996

ENTERPRISE	MODE	NAME OF INVESTOR	PURCHASE PRICE	AMOUNT PAID	BALANCE	REMARKS
1. GNTC Metal Works	Outright Purchase	AEL Engineering Ltd.	4402,000,000	4201,000,000	4201,000,000	
2. Wozor Hotel	Outright Purchase	Architect Co -Partners	4260,000,000	4130,000,000	4130,000,000	
3. GNTC Properties (19) Units	Outright Purchase	Various	4,247,000,000	4,194,700,000	4,281,300,000	
4. Akim Manso & Teyese Rubber Plantation	Outright Purchase	Rubber Estates Gh. Ltd.	4170,000,000	485,000,000	485,000,000	
5. Ghanot Property, Suburban House	Outright Purchase	NICO Trading Company	465,000,000	455,000,000	410,000,000	
6. Ghana Publishing Corp. (14 Residential Units)	Outright Purchase	Various	4228,500,000	47,000,000	4221,500,000	
7. GROC Cannery, Wench	Outright Purchase	Afrique Link Limited	US\$350,000	US\$108,947	US\$241,053	Payment includes a set-off of payment due to Afrique Link
8. Dorado Cement Factory	Outright Purchase	Pharmcare Industries	4400,000,000	4400,000,000	0	Re-Divestment
9. SFC Coldstores (14 Units)	Outright Purchase	Various	4257,250,000	4127,810,000	4131,440,000	
10. Ghanot Motors Co.	Joint Venture	Marubeni Corporation	US\$2,798,000	0	US\$2,798,000	GOC Retains 25%
11. NIC Properties - Head Office	Outright Purchase	Dakmak Industries	US\$1,100,000	US\$330,000	US\$770,000	
12. Tema Shipyard & Drydock Corp.	Joint Venture	FSC Tema Shipyard Ltd.	US\$4,200,000	US\$2,100,000	US\$2,100,000	GOC Retains 40%
13. Ghana Film Industry Corp.	Joint Venture	GAMA Film Co. Ltd.	US\$1,400,000	US\$1,400,000	0	GOC Retains 30%
14. Meridian Hotel	Outright Purchase	Qinglong SND BHD	US\$250,000	US\$250,000	0	
15. FPC Farm at Aasin Bonomawhe	Outright Purchase	Kuba Conanki	45,000,000	45,000,000	0	
16. Gardicorp Quarry, Wejja	Outright Purchase	Kwadyo Asante Cons	470,000,000	470,000,000	0	Only movable assets were sold

THE LIST REPRESENTS DIVESTITURES AUTHORISED BY THE PRESIDENT DURING THE PERIOD AUGUST 1 - DECEMBER 31, 1996

ISSUED BY DIVESTITURE IMPLEMENTATION COMMITTEE - P.O. BOX 1192, CANTONMENTS - ACCRA, GHANA



# Transgas in Manila extends sugar import ban

By Antony Goldman  
in Lagos

Nigeria's liquefied natural gas company, NLNG, says it is discussing a possible sales agreement with Transgas of Portugal.

NLNG is currently enmeshed in a \$10bn contract dispute with Enel, after the Italian state energy company pulled out of a contract to buy about half of the Nigerian output.

NLNG said that it hoped to deliver up to 500m cu m of gas a year to the Portuguese company. Enagas of Spain, Botas of Turkey and Gaz de France are contracted to take about half the total output. But with the remaining 3.5bn cu m expected to have gone to Enel, the proposed new deal will provide small comfort to NLNG.

The \$4bn NLNG plant is the costliest single construction project in Africa. Due to start production of about 700m cu m of gas a year at the end of 1996, the plant will exploit gas reserves from Nigeria's oil fields.

The state-owned Nigerian National Petroleum Corporation has a 49 per cent stake in the plant which is now being built in Bonny in the south-east of the country, with Shell, Elf and Agip holding 51 per cent.

Enel pulled out of a 22-year purchasing contract last November, blaming environmentalists for preventing the construction of the necessary receiving terminal in Italy.

Mr Dan Etete, Nigeria's minister for petroleum resources, returned from talks with Italian government officials and Enel last week claiming to have resolved the dispute. "The project is going on as sched-

uled," Mr Etete insisted. "Enel has not pulled out. They are taking the entire volume of gas they signed with the NLNG."

However, no details of the talks between Mr Etete and Enel have been given to the consortium. Mr Theo Orlennans, outgoing managing director of NLNG, insisted that the contract dispute had not been settled and that arbitration proceedings initiated in Switzerland last December would continue.

"We know that Enel are looking for ways to settle this issue, but so far they have produced no specific proposals for us to consider," he said. "At the moment, we have no contract with Enel. And while the signs are more encouraging than three months ago, we will pursue our claim for compensation and damages."

Privately, NLNG officials are angry that the minister's intervention has raised the political profile of a dispute they insist is entirely commercial. European diplomats have also expressed surprise at Italy's decision to grant Mr Etete a visa, in spite of sanctions designed to prevent all but "indispensable" visits.

However, both Mr Orlennans and his successor, Mr Steve Ollereanshaw, remain confident that the project will be finished on time.

"We are already one-third complete and by the end of the year, 50 per cent of the plant will be finished," Mr Orlennans said.

"We have a good product in an expanding market. There is no doubt that we will enter production and deliver our first shipload of LNG by late 1999."



Philippines sugar farmers: struggling with a market glut

By Justin Marozzi in Manila

Mr Wilson Gamboa, head of the Philippine Sugar Regulatory Administration, yesterday ordered an extension of the ban on sugar imports until July, amid a financial crisis at the country's principal miller.

He extended the ban to bolster the country's ailing sugar industry, which is struggling to come to terms with a glut in the market. There are now 100,000 tonnes of unsold stocks, the SRA said. Of this, more than a quarter is owned by a subsidiary of Victorias Milling, which last week said it was unable to pay its debts of 4.4bn pesos (\$86m).

Mr Gamboa said Victorias, which has been given a 90-day moratorium on principal repayments, would benefit from the release of 27,000 tonnes imported by its subsidiary which would generate up to 324m pesos.

"Victorias continues to suffer as we continue to dil-

release the stock," he said. The SRA said Victorias had incurred costs of at least 100m pesos in holding the sugar for the past 10 months.

Last year, following falling sugar prices, a drop in production and increased costs, Victorias was hit with a loss of 242m pesos. The company's problem was "purely internal", said Mr Gamboa, and was not symptomatic of the difficulties being faced by the sugar sector.

Some relief is expected to be provided by the 13 per cent increase in the Philippines' sugar quota to the US to 246,000 tonnes, also announced yesterday.

The company has seen its shares plummet by as much as 40 per cent from 5.30 pesos on news of its financial crisis. Yesterday, Victorias shares improved 40 centavos to close at 4.20 pesos.

"There are talks of restructuring the debt and new investors coming in," said one analyst. "But until the fog clears, it's certainly not over."

According to one report, only eight of the 33 creditors exposed to Victorias have their loans collateralised or secured.

Mr Lucio Tan, the Chinese-Filipino tycoon, and San Miguel, the food and beverage giant, have been reported as possible rescuers for the company.

The Philippine government, meanwhile, is coming under increasing pressure from leaders of the sugar industry to increase the 100 per cent tariff on sugar imports to 133 per cent, although it is due to be reduced later this year.

In January, the government said it would move to suspend the 35 per cent tariff discount for refined sugar coming from the other six members of the Association of South-East Asian Nations.

Critics accuse the industry, however, of failing to modernise the infrastructure and to install new capital equipment so the Philippines can compete with countries such as Thailand.

## Zinc prices on LME touch 4 1/2-year peak

MARKETS REPORT

By Kenneth Gooding and Robert Corzine in London and Laurie Morse in Boca Raton

Zinc prices moved to their highest in 4 1/2 years on the London Metal Exchange in early trading yesterday.

The price of zinc for immediate delivery has risen by 20 pence since the end of December as sentiment has turned increasingly bullish.

Mr Jim Lennon, analyst at Macquarie, the Australian banking group, suggests the zinc market will be under

supply this year and that stocks are likely to fall to critical levels in the summer. Macquarie is forecasting an average cash zinc

price of \$1,235 a tonne in 1997 and \$1,435 in 1998.

The premium for copper for immediate delivery eased yesterday after Southern Peru Copper, Peru's biggest producer, said its operations were back to normal. SPOC shut down for a week after flooding damaged rail and road links at its facilities. It said it would lose about 1,815 tonnes of production.

Soyabean prices on the Chicago Board of Trade fell back slightly yesterday morning after a turbulent day on Tuesday when prices hit life-of-contract highs.

The US Department of Agriculture in a report on Tuesday trimmed its estimate of US soyabean exports, increasing Brazil's share, and soyabean prices

for May delivery rose to a high of \$4.05 a bushel.

Maize prices also headed lower as reports of Chinese exports trickled into the market. China was a net maize importer in the last marketing year, but USDA said the Asian giant would export at least 1m metric tonnes this year.

Oil rallied in spite of bearish US inventory data. Brent Blend for April delivery, the international benchmark, was \$19.39 a barrel in late London trading, up 15 cents on Tuesday's close.

Prices had dipped below \$19 earlier when American Petroleum Institute data showed US crude oil supplies had risen to more than 300m barrels, compared with 297m a week earlier.

## India may lift cotton exports

By Kunal Bose in Calcutta

The Indian government is considering increasing cotton export quotas in an attempt to lift prices.

So far 1.22m 170kg bales of cotton have been released for export in 1996-97. With domestic demand weak, the government is likely to allow further exports of up to 500,000 bales.

Trade sources say local prices are between 10 per cent and 15 per cent lower than in the previous season as textile mills, which are facing a liquidity crisis, are building stocks very slowly.

Several farmers' organisations have warned that there will be a change of land use from cotton to other crops if prices do not improve.

It will, however, not be easy to export so much cotton by the September year-end. Besides this season's quota, 430,000 bales are left over from last year.

Also the monsoon beginning in June will slow port activity.

The Textile Commissioner's office has set up a special body to expedite cotton exports. Last year India exported 600,000 bales.

An export official explained that India had lost custom abroad because of the highly restrictive cotton export policy of the past.

"For example, Japan, which used to buy large quantities of coarse cotton from us, is now mainly sourcing it from other countries," he said.

## London has big month for gold

By Kenneth Gooding  
Mining Correspondent

February was another remarkable month in the gold market, with deals worth \$14bn cleared every working day in London, the international settlement centre for gold bullion.

The total of 40.3m troy ounces, or 1,253 tonnes, topped that of January, also a month of heavy turnover, when 37.3m ounces worth \$13.2bn were cleared daily, according to the London Bullion Market Association.

The smaller increase in the value of gold cleared reflected a lower average gold price in February - \$346.53 an ounce against \$355.10.

Mr Alan Baker, chairman of the LBMA, said the statistics confirmed anecdotal evidence that bullion dealers had become much busier since the start of the year, when the gold price became more volatile.

"There was a maelstrom in the market in January and February," he said, caused by investment funds attempting to push the gold price down and the upsurge in demand for physical gold this encouraged. "Refineries were busier than they had been for a decade or two."

Mr Baker suggested, however, that the market, and business, had quietened down in March.

The association decided only recently to collect and publish London gold market data so it does not have figures for February last year that would have provided a precise comparison.

The daily average volume of silver fell from 294.4m ounces in January to 275m ounces last month but as the average silver price was higher, the value of turnover was unchanged at \$1.4bn.

### COMMODITIES PRICES

#### BASE METALS

##### LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

##### ALUMINIUM, 99.7 PURITY (\$ per tonne)

Close 1635.07 1637.5-8.0

Previous 1641.2 1672.5-3.0

High/Low 1646 1664/1664

AM Official 1645-46.5 1675-75.5

Kerb close 1655-56

Open Int. 270,345

Total daily turnover 48,858

##### ALUMINIUM ALLOY (\$ per tonne)

Close 1522.33 1545-50

Previous 1530-40 1550-60

High/Low 1528 1558/1560

AM Official 1528-28 1558/1560

Kerb close 1545-50

Open Int. 6,324

Total daily turnover 6,324

##### LEAD (\$ per tonne)

Close 887-8 887-8

Previous 887-8 887-8

High/Low 887-8 887-8

AM Official 887-8 887-8

Kerb close 887-8

Open Int. 36,570

Total daily turnover 10,511

##### NICKEL (\$ per tonne)

Close 7845-55 8020-60

Previous 7845-55 7980-90

High/Low 7820 8120/8010

AM Official 7820-25 8020-30

Kerb close 8070-80

Open Int. 51,690

Total daily turnover 13,853

##### TIN (\$ per tonne)

Close 8985-95 8985-9005

Previous 8980-70 8970-75

High/Low 8940 9000/8990

AM Official 8940-45 9010-15

Kerb close 9030-40

Open Int. 16,571

Total daily turnover 8,721

##### ZINC, special high grade (\$ per tonne)

Close 1245-45 1258-87

Previous 1257-5-8.5 1253-4

High/Low 1249-50 1269/1262

AM Official 1249-50 1269/1262

Kerb close 1274-75

Open Int. 67,483

Total daily turnover 31,175

##### COPPER, grade A (\$ per tonne)

Close 2887-86 2340-41

Previous 2408-12 2340-41

High/Low 2402/2401 2389/2382

AM Official 2402-03 2350-51

Kerb close 2337-38

Open Int. 142,473

Total daily turnover 58,135

##### LME AM Official \$/c rate: 1996/97

Spec. 1.582 5 nites: 1.594 6 nites: 1.582 9 nites: 1.585

Spec. 1.582 5 nites: 1.594 6 nites: 1.582 9 nites: 1.585

##### HIGH GRADE COPPER (COMEX)

Sett. Day's price change High Low Vol Int

Mar 112.20 -2.80 115.10 111.50 1,323 7,070

Apr 110.85 -2.20 111.80 110.10 288 3,719

May 108.85 -1.80 110.50 108.10 1,481 31,146

Jun 107.25 -1.80 107.30 105.80 7 890

Jul 105.75 -1.80 107.30 105.00 517 7,894

Aug 104.50 -1.55 105.50 105.00 5 848

Total 10,094 98,294

#### Precious Metals continued

##### GOLD COMEX (100 Troy oz; \$/troy oz)

Sett. Day's price change High Low Vol Int

Mar 322.8 -1.9 - - - 37,620

Apr 323.2 -1.5 325.1 323.0 27,076 64,320

May 325.8 -2.7 327.1 324.4 1,580 24,416

Jun 326.0 -1.6 326.5 325.0 376 10,309

Jul 326.4 -1.8 327.1 325.7 8 5,947

Aug 326.0 -1.6 326.4 325.2 686 21,270

Sept 326.0 -1.6 326.4 325.2 686 21,270

Total 48,858 176,632

##### PLATINUM NYMEX (50 Troy oz; \$/troy oz)

Sett. Day's price change High Low Vol Int

Mar 384.1 -2.5 386.5 382.5 2,776 17,876

Apr 385.2 -2.7 387.1 383.0 1,580 24,416

May 385.8 -2.7 387.1 383.0 1,580 24,416

Jun 386.0 -2.7 - - - 4 1,123

Jul 386.0 -2.7 - - - 4 1,123

Total 3,284 24,932

##### PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

Sett. Day's price change High Low Vol Int

Mar 152.55 -8.70 153.00 151.00 100 146

Apr 154.40 -8.85 155.00 153.00 1,472 10,081

May 155.40 -8.85 156.00 154.00 277 725

Jun 156.40 -8.85 - - - 7 189

Total 1,858 11,141

##### SILVER COMEX (5,000 Troy oz; \$/troy oz)

Sett. Day's price change High Low Vol Int

Mar 518.2 -5.5 520.0 515.5 101 751

Apr 522.8 -5.7 525.5 521.0 11,261 58,521

May 527.7 -5.7 530.5 523.0 12,101 72,101

Jun 532.5 -5.7 535.0 525.0 75 3,336

Jul 540.3 -5.7 542.5 531.0 51 5,281

Aug 543.3 -5.7 - - - 14

Total 11,867 89,879

#### ENERGY

##### CRUDE OIL NYMEX (1,000 barrels; \$/barrel)

Sett. Day's price change High Low Vol Int

Mar 20.55 -0.45 20.90 20.15 42,229 74,113

Apr 20.65 -0.35 20.95 20.05 37,275 64,189

May 20.85 -0.35 20.95 20.05 18,194 32,205

Jun 20.85 -0.41 20.95 20.15 8,048 24,821

Jul 20.58 -0.57 20.75 20.15 3,436 15,533

Aug 20.52 -0.54 20.65 20.15 2,709 13,571

Total 125,446 426,181

##### CRUDE OIL ICE (\$/barrel)

Sett. Day's price change High Low Vol Int

Mar 19.80 -0.36 19.85 19.30 27,005 26,514

Apr 19.81 -0.31 19.90 19.35 14,511 24,185

May 19.34 -0.35 19.35 19.31 4,571 22,565

Jun 19.29 -0.30 19.34 19.31 755 12,115

Jul 19.27 -0.28 19.30 19.30 75 5,281

Aug 19.24 -0.25 - - - 8

Total 48,115

##### HEATING OIL NYMEX (\$20,000 US gal; \$/US gal)

Sett. Day's price change High Low Vol Int

Mar 54.25 -1.42 54.75 52.55 12,559 33,851



# Davies "misquote" hits sterling

MARKETS REPORT

By Simon Kuper

Sterling nosedived on remarks from Mr Howard Davies, deputy governor of the Bank of England, even though his main reported comment was later said to have been a misquote.

Mr Davies was quoted yesterday morning in Tokyo as having said that the pound was too strong against the D-Mark. Later, the UK embassy in Tokyo told Reuters that this was just his gauge of the market's view.

The pound also suffered on Mr Davies' comment that the UK was likely to hit the government's inflation target of 2.5 per cent during this year. Mr Davies said that the Bank of England would like UK base rates to be 25 basis points above their present level of 6 per cent. This failed to buoy the pound, but caused the money markets to revise

upwards their expectations of future rate levels. The short sterling futures contract for June 1998 dipped 7 points to price in base rates of just over 7 per cent.

Weak UK manufacturing figures also damaged the pound. It lost 2.7 pence against the D-Mark to close in London at DM2.710, and has now dropped 6 pence since last Thursday. It hit five-month lows against the dollar, sliding 1.2 cents to \$1.583 and holding below the key \$1.60 level all day.

The dollar slipped against the D-Mark after Mr Hans Tietmeyer, president of the Bundesbank, again said the dollar's rise against the German currency was over. "We do not want to see a correction that goes beyond the

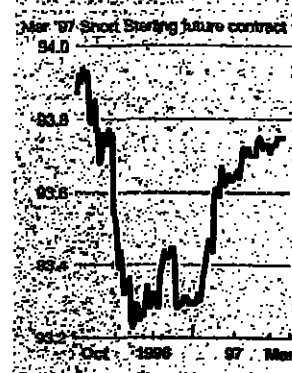
market fundamentals," he said. "We are interested in a stable D-Mark." The dollar dropped 0.4 pence in London to DM1.701, and in US hours fell through support at DM1.70 to trade at DM1.697.

Both the US and German currencies rose against the yen, the dollar by Y0.8 to Y122.7 and the D-Mark by Y0.63 to Y122.10. The yen's fall surprised some in the market, as Mr Hiroshi Mitsuoka, Japan's finance minister, had said that a drop below Y125 against the dollar could provoke trade frictions with the US.

Mr Jeremy Hawkins, chief economist at the Bank of America in London, said the market had decided that Y125 was a target as well as a potential cap for the dollar.

Mr Robin Marshall, head of European economic research at Chase in London, added that the yen may be suffering because Japanese investors seem to have stopped repatriating profits ahead

Expected UK base rate



their financial year-ends. The end of repatriation could help explain the Australian dollar's recent rise, he said.

get deficit.

Few currency strategists believe market talk that European monetary union will be delayed. France and Germany, at their summit yesterday, said Euro would start in 1999 as planned.

That had little effect on trading. To quote Mr Steven Engländer, international economist at Smith Barney in Paris: "If you don't get some enthusiasm for Euro out of the governments of France and Germany, then the euro is really in trouble."

Mr Engländer believes Euro will proceed on time because "there's very little that's gained by delay. You're only giving the mar-

ket a chance to put pressure on some currencies - such as the lira and the peseta - that have been reasonably solid." After a delay, he said, the market would have no confidence that any new Euro timetable would hold.

Mr Avinash Persaud, currency strategist at JP Morgan in London, pointed out that the markets believe Euro will go ahead. His Euro calculator shows that the interest rate swap market still thinks it is 100 per cent certain that a core of nations including Germany and France will join Euro.

However, the calculator shows that the market thinks the chances of Italy joining have slimmed sharply to just 56 per cent. This belief has been reflected in the fall in Italian bonds. The lira, however, has held steady. Mr Persaud believes that it too will fall when Italian investors adopt the international view that Italy will miss the start of Euro.

The Swedish krona, under pressure for a while, fell from SEK4.478 to SEK4.477 against the D-Mark on tame Swedish inflation data for February. There is market concern about Sweden's bud-

Mar 12

Rate	1m	3m	6m	1y
1m	1.583	1.587	1.590	1.592
3m	1.583	1.587	1.590	1.592
6m	1.583	1.587	1.590	1.592
1y	1.583	1.587	1.590	1.592

## POUND SPOT FORWARD AGAINST THE POUND

Mar 12	Closing mid-point	Change on day	1m	3m	6m	1y	Bank of England
Europe	19.0741	-0.1004	835	847	19.3455	19.2855	19.3008
Australia	55.9143	-0.5727	849	837	56.7080	56.3820	55.7933
Belgium	10.3447	-0.0947	838	835	10.4708	10.3378	10.3227
Denmark	8.0081	-0.0748	805	805	8.2300	8.0905	
France	9.1458	-0.0848	838	838	9.2880	9.1415	9.1235
Germany	2.7103	-0.0274	808	811	2.7493	2.7038	2.7037
Greece	425.252	-3.878	847	838	422.207	424.336	
Ireland	1.0244	-0.0048	824	824	1.0392	1.0294	
Italy	2702.56	-22.48	838	835	2703.71	2685.15	2705.95
Japan	112.875	-0.0011	838	838	112.875	112.875	
Netherlands	55.9143	-0.5727	849	837	56.7080	56.3820	55.7933
Luxembourg	3.0507	-0.0311	838	838	3.0507	3.0438	
Norway	10.8775	-0.1028	835	835	11.0038	10.8289	10.813
Portugal	271.845	-2.81	831	831	272.271	271.845	
Spain	228.878	-2.475	838	838	228.878	228.878	
Sweden	12.2267	-0.0184	838	838	12.2267	12.2267	
Switzerland	2.3354	-0.0184	838	838	2.3354	2.3354	
UK							
USA	1.583	-0.012	831	836	1.6151	1.5950	1.5937
EUR	1.583	-0.012	831	836	1.6151	1.5950	1.5937
South Africa	1.583	-0.012	831	836	1.6151	1.5950	1.5937
Argentina	1.583	-0.012	831	836	1.6151	1.5950	1.5937
Brazil	1.583	-0.012	831	836	1.6151	1.5950	1.5937
Canada	1.583	-0.012	831	836	1.6151	1.5950	1.5937
Mexico	1.583	-0.012	831	836	1.6151	1.5950	1.5937
USA	1.583	-0.012	831	836	1.6151	1.5950	1.5937
Pacific/Middle East/Africa	1.583	-0.012	831	836	1.6151	1.5950	1.5937
Australia	1.583	-0.012	831	836	1.6151	1.5950	1.5937
Hong Kong	1.583	-0.012	831	836	1.6151	1.5950	1.5937
India	1.583	-0.012	831	836	1.6151	1.5950	1.5937
Japan	1.583	-0.012	831	836	1.6151	1.5950	1.5937
Malaysia	1.583	-0.012	831	836	1.6151	1.5950	1.5937
New Zealand	1.583	-0.012	831	836	1.6151	1.5950	1.5937
Philippines	1.583	-0.012	831	836	1.6151	1.5950	1.5937
Saudi Arabia	1.583	-0.012	831	836	1.6151	1.5950	1.5937
Singapore	1.583	-0.012	831	836	1.6151	1.5950	1.5937
South Africa	1.583	-0.012	831	836	1.6151	1.5950	1.5937
South Korea	1.583	-0.012	831	836	1.6151	1.5950	1.5937
Taiwan	1.583	-0.012	831	836	1.6151	1.5950	1.5937
Thailand	1.583	-0.012	831	836	1.6151	1.5950	1.5937

1 Pound for Mar 11. Bid/offer spread in the Pound Spot table shows only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. The Bank of England's base rate is 6.00 per cent. The Bank of England's base rate is 6.00 per cent. The Bank of England's base rate is 6.00 per cent.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 12	Closing mid-point	Change on day	1m	3m	6m	1y	JP Morgan
Europe	11.9377	-0.0225	708	708	12.0405	11.9655	11.9655
Australia	35.1000	-0.0080	800	800	35.1000	35.0700	35.0400
Belgium	6.4883	-0.0007	828	828	6.5271	6.4880	6.4849
Denmark	5.0942	-0.0078	804	804	5.1384	5.0940	5.0754
France	5.7411	-0.0057	802	802	5.7706	5.7352	5.7204
Germany	1.7014	-0.0041	801	801	1.7121	1.6999	1.6982
Greece	228.878	-2.475	838	838	228.878	228.878	
Ireland	1.0244	-0.0048	824	824	1.0392	1.0294	
Italy	2702.56	-22.48	838	835	2703.71	2685.15	2705.95
Japan	112.875	-0.0011	838	838	112.875	112.875	
Netherlands	55.9143	-0.5727	849	837	56.7080	56.3820	55.7933
Luxembourg	3.0507	-0.0311	838	838	3.0507	3.0438	
Norway	10.8775	-0.1028	835	835	11.0038	10.8289	10.813
Portugal	271.845	-2.81	831	831	272.271	271.845	
Spain	228.878	-2.475	838	838	228.878	228.878	
Sweden	12.2267	-0.0184	838	838	12.2267	12.2267	
Switzerland	2.3354	-0.0184	838	838	2.3354	2.3354	
UK							
USA	1.583	-0.012	831	836	1.6151	1.5950	1.5937
EUR	1.583	-0.012	831	836	1.6151	1.5950	1.5937
South Africa	1.583	-0.012	831	836	1.6151	1.5950	1.5937
Argentina	1.583	-0.012	831	836	1.6151	1.5950	1.5937
Brazil	1.583	-0.012	831	836	1.6151	1.5950	1.5937
Canada	1.583	-0.012	831	836	1.6151	1.5950	1.5937
Mexico	1.583	-0.012	831	836	1.6151	1.5950	1.5937
USA	1.583	-0.012	831	836	1.6151	1.5950	1.5937
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Japan	1.583	-0.012	831	836	1.6151	1.5950	1.5937
Malaysia	1.583	-0.012	831	836	1.6151	1.5950	1.5937
New Zealand	1.583	-0.012	831	836	1.6151	1.5950	1.5937
Philippines	1.583	-0.012	831	836	1.6151	1.5950	1.5937
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South Korea	1.583	-0.012	831	836	1.6151	1.5950	1.5937
Taiwan	1.583	-0.012	831	836	1.6151	1.5950	1.5937
Thailand	1.583	-0.012	831	836	1.6151	1.5950	1.5937

1 Dollar for Mar 11. Bid/offer spread in the Dollar Spot table shows only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. The Bank of England's base rate is 6.00 per cent. The Bank of England's base rate is 6.00 per cent. The Bank of England's base rate is 6.00 per cent.

## CROSS RATES AND DERIVATIVES

## EXCHANGE CROSS RATES

Mar 12	SPR	DKR	FFR	DM	£	L	FI
Belgium	SPR 10.0	18.49	10.38	4.847	1.323	4853	5.457
Denmark	(DKR) 54.07	10	8.844	2.862	1.090	2813	2.951
France	(FFR) 14.1	11.91	10	2.681	1.120	2595	3.536
Germany	(DM) 10.0	3.81	3.33	3.572	1.073	3572	1.073
Greece	(FFR) 54.0	10.0	SPR 1.3	2.646	1	2639	2.879
Ireland	(£) 1.0	2.098	0.338	0.338	1.00	0.098	1.00
Italy	(FFR) 15.3	3.368	2.867	0.856	0.338	855.5	
Netherlands	(FFR) 10.0	3.359	3.359	0.338	1.00	3.359	2.815
Portugal	(FFR) 20.57	3.904	3.365	0.937	0.377	941	1.123
Spain	(FFR) 24.23	4.490	3.968	1.179	0.448	1176	1.328
Sweden	(FFR) 24.23	4.490	3.968	1.179	0.448	1176	1.328
Switzerland	(FFR) 24.23	4.490	3.968	1.179	0.448	1176	1.328
UK	(£) 24.24	4.429	3.916	1.181	0.439	1157	1.307
USA	(£) 55.91	10.34	1.455	2.740	1.044	2702	3.051
Canada	(C\$) 25.97	4.736	4.107	1.947	0.471	1243	1.403
Japan	(¥) 10.0	4.491	3.916	1.181	0.439	1157	1.307
South Africa	(R) 26.01	5.292	4.480	1.387	0.524	1383	1.561
Israel	(N) 48.85	4.497	6.551	1.841	0.734	1396	2.196



**FT MANAGED FUNDS SERVICE**

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on 1-44 171 873 4378 for more details.

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**FT MANAGED FUNDS SERVICE**

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### Offshore Insurances and Other Funds

## OTHER OFFSHORE FUNDS

[illegible]

GEM Dolphin Investment Managers Limited									
South Africa Income Fund	\$10.50								
South Africa Growth Fund	\$10.50								
South Africa Equity Fund	\$10.50								
GEM Global Fund (Dolphin) Ltd	\$10.50								
Global Growth Fund	\$10.50								
Global Income Fund	\$10.50								
Global Equity Fund	\$10.50								
Global Bond Fund	\$10.50								
Global Commodity Fund	\$10.50								
Global Real Estate Fund	\$10.50								
Global Hedge Fund	\$10.50								
Global Private Equity Fund	\$10.50								
Global Venture Capital Fund	\$10.50								
Global Infrastructure Fund	\$10.50								
Global Natural Resources Fund	\$10.50								
Global Technology Fund	\$10.50								
Global Healthcare Fund	\$10.50								
Global Financial Services Fund	\$10.50								
Global Consumer Goods Fund	\$10.50								
Global Industrial Goods Fund	\$10.50								
Global Energy Fund	\$10.50								
Global Environmental Fund	\$10.50								
Global Socially Responsible Fund	\$10.50								
Global Emerging Markets Fund	\$10.50								
Global Fixed Income Fund	\$10.50								
Global Short-Term Bond Fund	\$10.50								
Global High-Yield Bond Fund	\$10.50								
Global Convertible Bond Fund	\$10.50								
Global Cash Fund	\$10.50								
Global Money Market Fund	\$10.50								
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## LONDON STOCK EXCHANGE

## Market takes a breather after recent surge

## MARKET REPORT

By Steve Thompson,  
UK Stock Market Editor

A hangover from the programme trade executed late on Tuesday and Wall Street's rather stodgy showing brought a halt to the London market's run of six consecutive gains.

Not every FTSE index lost ground on the session, however. The SmallCap, which outpaced its senior brethren during February in terms of total return, moved ahead smoothly to yet more intra-day and closing highs, finishing a net 3.8 up at 2,374.2 after a record of 2,375.2.

The FTSE 100 index, on the other hand, spent a much quieter session than of late, eventually settling 21.8 off at 4,422.3, while the FTSE 250 struggled manfully but never managed to claw its way into positive ground. It closed down 4.3 at 4,725.1.

Helping to depress sentiment in London yesterday was a handful of rather disappointing company news items from FTSE 100 stocks such as Schroders, Reed International and Rentokil.

There was no shortage of excitement in the dealing rooms, with a big placing of BSKyB shares catching the eye during early exchanges and news of another share buy-back, this time

in Iceland, the frozen food group. Dealers said there had been no sizeable downside pressure from the big institutions, just a steady stream of selling from small institutions and private investors.

"The big funds have held off to see how the market will develop in the wake of the slightly worrying tail off of demand on Wall Street," one dealer said.

Others said Wall Street had begun to run out of steam and that global markets would respond accordingly.

The day's economic news, which showed industrial production unchanged and manufacturing output up 0.3 per cent during January, was as expected and

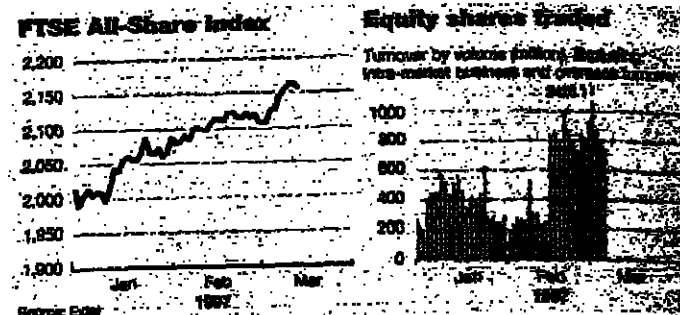
had very little impact on sentiment. Gilt fell away throughout the day, closing down 9 to 15 ticks at the longer end.

The day began on a subdued note, with marketmakers taking avoiding action in the wake of the programme trade activity and because of Wall Street's quiet performance, and nudging share prices lower.

With the programme overspill largely cleared in the morning, the market began to rally before sliding again on hints that Wall Street would open lower. The Dow did fall in early trading but was never under any real pressure during London trading hours.

The day's corporate results were mostly badly received. Rentokil shares slid almost 10 per cent amid worries about a slow down in organic growth, while concern that its new equities business might soak up cash saw Schroders' share on the back foot. Worries about sterling's sharp rise proved a drag on Reed International.

Elsewhere, the bought deal in BSKyB shares engineered by BZW, which saw the securities house place 1.1 per cent of the satellite group at a tight discount to the market price, netted the risk-taker in excess of £200,000. Turnover at 6pm was £29m.



Index	Value	Change	FT 30	Value	Change
FTSE 100	4422.5	-21.8	FTSE Non-Fin p/e	18.78	-0.3
FTSE 250	4725.1	-4.3	FTSE 100/FTSE 250	4406.0	-25.0
FTSE 350	2185.4	-8.9	10 yr GR yield	7.04	7.30
FTSE All-Share	2156.05	-7.89	Long Gilt/Equity yield ratio	2.04	2.08
FTSE All-Share yield	3.52				

## FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (Liffe) £25 per full index point (APR)									
	Open	Settle	Change	High	Low	Est. vol	Open	Settle	Change
Mar	4417.0	4422.5	-5.5	4430.0	4401.0	14728	4422.5	4422.5	-5.5
Jun	4430.0	4427.5	-2.5	4450.0	4425.0	4314	4427.5	4427.5	-2.5
Sep	4450.0	4450.0	0.0			0	4450.0	4450.0	0.0

FTSE 250 INDEX FUTURES (Liffe) £10 per full index point									
	Open	Settle	Change	High	Low	Est. vol	Open	Settle	Change
Mar	4740.0	4740.0	+5.0	4740.0	4740.0	1043	4740.0	4740.0	+5.0
Jun	4760.0	4760.0	+5.0	4760.0	4760.0	1048	4760.0	4760.0	+5.0

FTSE 100 INDEX OPTION (Liffe) £420 per full index point									
	Open	Settle	Change	High	Low	Est. vol	Open	Settle	Change
Mar	4420.0	4420.0	0.0	4420.0	4420.0	4000	4420.0	4420.0	0.0
Jun	4450.0	4450.0	0.0	4450.0	4450.0	4000	4450.0	4450.0	0.0

EURO STYLE FTSE 100 INDEX OPTION (Liffe) £20 per full index point									
	Open	Settle	Change	High	Low	Est. vol	Open	Settle	Change
Mar	4420.0	4420.0	0.0	4420.0	4420.0	100	4420.0	4420.0	0.0
Jun	4450.0	4450.0	0.0	4450.0	4450.0	100	4450.0	4450.0	0.0

## Growth fear at Rentokil

By Peter John  
and Lisa Wood

Rentokil, the business services company that has been one of the nineties' wonder stocks, caught a distinct chill.

The shares were already off their 499p closing peak achieved on February 12. And, yesterday, they fell 6 pence more to close a net 42.4 off at 437.4p, the biggest drop in the Footsie. Turnover of 25m shares was one of the heaviest on record.

Profits were up 48.2 per cent but they were still at the bottom end of forecasts and the feeling was that the improvement merely reflected last year's acquisition of BET. There was even a suspicion that the company might have gone ex-organic growth and would have to rely on acquisitions.

Additionally, the shadow of sterling hung over the figures. Rentokil said the rise of the pound at the end of 1996 had reduced last year's sales by £15.4m and profits by £3.5m. It added that 1997 profits would be reduced by around 5 per cent if sterling continued at current levels.

A similar story emerged at Reed Elsevier, which said headline earnings could be depressed by 5 per cent if sterling's strength continued throughout the year.

Reed noted, however, that although sterling would hit earnings per share of Reed International, it would have a correspondingly favourable effect on the guilder earnings per share of Elsevier. The shares fell 17 to 1,166.4p.

The market was taken by surprise by Iceland announcing results earlier than expected and unveiling a share buy-back of 35 per cent of its ordinary shares at the equivalent of 105p per share and 37.5 per cent of its convertible preference shares at 96p per share.

Analysts said that interest in the buy-back masked results which were lower than expected. One analyst said the buy-back increased the risk profile of the food retailer. He said: "It raises the gearing and brings the interest cover down. Iceland is a cash generative business but that depends on maintaining operating margins at current levels." Another analyst said that the financial re-engineering "made no difference to deeply gloomy prospects for sales growth and operating margins" for a frozen food business in a difficult market niche.

The retailer's plans for home shopping were not greeted with any enthusiasm. Another analyst described the economics of the business as "pie in the sky". Most forecasts were reduced.

J. Sainsbury bounced 5 to 315p and Asda strengthened 1 1/2 to 111.4p.

BSKyB, the satellite television group, was actively traded as BSB, the holding company 94 per cent owned by Granada, Pearson and Pathe-Cinema, sold 1.1 per cent or 19.6m shares. The proceeds will be used to permit a proposed restructuring of BSB's share and loan capital to enable shareholders other than Granada, Pearson and Pathe to sell their BSB holding. The plan is that Granada, Pearson and Pathe will own 100 per cent of BSB, which has no plans to sell any further BSKyB shares.

It appeared that the shares were sold by BSB at 623p to the broker, which sold 15.5m on at 623p, allowing a 44p turn and leaving some shares on the books. BSB now owns 230.6m BSKyB shares - around 12.8 per cent.

The underlying shares fell a penny to 632p on turnover of 37m.

Midland Independent News, the newspaper group which has been buoyed by takeover talk, rose 5 to 155p after announcing a 4.7 per cent profit rise to £16.6m in 1996, in spite of a £3.3m rise in newspaper costs. The company said prospects for 1997 had been boosted by a stronger portfolio of titles and a fall in newspaper prices.

Argos weakened 5 to 664p, with fears that it would fall out of the FTSE 100 confirmed after the market closed. N Brown, perceived as a front runner to buy Freemans, the mail order business, slipped 7 to 381.4p. Dixons eased 9 to 514.4p.

Pharmaceutical stocks suffered after US selling. Zeneca had been up earlier but a recommendation from Lehman Brothers was not enough to counter the US

influences and the shares closed 23 lower at 1,837.4p. Lehman gave Zeneca an "outperform" rating and a price target of £20.

Glaxo Wellcome came in for profit-taking following a sparkling post-results run over the past few days. The shares fell 14 to 1,139.4p.

Meanwhile, Scotia Holdings fell a further 30 to 406p as the shares continued to react to news of the company's failure to win approval for its diabetes treatment.

Cadbury Schweppes was one of the best performers in the FTSE 100, climbing 14 to 559p. Analysts said there was buying from the US where the management of the confectionery and soft drinks group is currently making a week-long series of presentations to institutions.

There was some profit-taking in Reckitt & Coleman, which slipped 8 to 789p. Market speculation that Unilever might make a bid for Reckitt has largely evaporated. There was also profit-taking in United Biscuits ahead of its results. The shares fell 4 to 237.4p.

BAT was one of the worst performers in the FTSE 100, falling 29 to 989p after a bout of profit-taking in the building materials group.

BAT Industries, the tobacco and insurance group, gained 7 to 554.4p. Merrill Lynch has stressed its "buy" stance arguing that the recent figures were not as disappointing as the market reaction suggested.

Shortly before the close, a number of big trades showed up boosting overall volume to 37m. The late activity was believed to be either options-related or tax-related.

Investment bank Schroders dropped 45 to 1,652.4p on rising cost worries and a cautious outlook from the company with annual results at the top of analysts' expectations.

expectations. Schroders reported annual profits of £228.7m compared with £197.3m a year ago and analysts' forecasts of between £230m and £240m. A 20p dividend topped expectations of 18.5-19p.

BP came off the day's lows following a trading update described by one analyst as "a very confident" SGST retail presentation. SGST retail's positive stance but international pressures prevailed and the stock ended a net 8 number at 702.4p.

A number of analysts were said to have upgraded their 1997 profit estimates for TI Group after results at the top end of the City's estimates and a positive trading outlook for the engineering company. TI hardened 12 to 576p.

London Recent Issues: Equities

Issue	Price	Yield	Div.	Gr.	P/E
1000 F.P.	3.16	11.1%	100%	100%	12.4
1000 F.P.	3.16	11.1%	100%	100%	12.4

FT 30 INDEX

Open	High	Low	Close	Change
4422.5	4430.0	4401.0	4422.5	-21.8

FT 30 hourly changes

Open	High	Low	Close	Change
4422.5	4430.0	4401.0	4422.5	-21.8

FTSE 100

Open	High	Low	Close	Change
4422.5	4430.0	4401.0	4422.5	-21.8

FTSE 250

Open	High	Low	Close	Change
4725.1	4730.0	4710.0	4725.1	-4.3

FTSE 350

Open	High	Low	Close	Change
2185.4	2190.0	2170.0	2185.4	-8.9

FTSE All-Share

Open	High	Low	Close	Change
2156.05	2160.0	2140.0	2156.05	-7.89

FTSE All-Share yield

Open	High	Low	Close	Change
3.52	3.55	3.45	3.52	

FTSE 100 Index Options

Open	High	Low	Close	Change
4420.0	4430.0	4410.0	4420.0	0.0

FTSE 250 Index Options

Open	High	Low	Close	Change
4740.0	4750.0	4730.0	4740.0	+5.0

FTSE 350 Index Options

Open	High	Low	Close	Change
2180.0	2190.0	2170.0	2180.0	+5.0

FTSE All-Share Index Options

Open	High	Low	Close	Change
2150.0	2160.0	2140.0	2150.0	-7.89

FTSE 100 Index Futures

Open	High	Low	Close	Change
4417.0	4430.0	4401.0	4422.5	-5.5

FTSE 250 Index Futures

Open	High	Low	Close	Change
4740.0	4750.0	4730.0	4740.0	+5.0

FTSE 350 Index Futures

Open	High	Low	Close	Change
2180.0	2190.0	2170.0	2180.0	+5.0

FTSE All-Share Index Futures

Open	High	Low	Close	Change
2150.0	2160.0	2140.0	2150.0	-7.89

## TRADING VOLUME

Major Stocks Yesterday	Open	High	Low	Close	Change
ASDA Group	102.00	102.50	101.50	102.00	+0.50
Asda Stores	102.00	102.50	101.50	102.00	+0.50
Asda Stores	102.00	102.50	101.50	102.00	+0.50

Major Stocks Yesterday	Open	High	Low	Close	Change
ASDA Group	102.00	102.50	101.50	102.00	+0.50
Asda Stores	102.00	102.50	101.50	102.00	+0.50
Asda Stores	102.00	102.50	101.50	102.00	+0.50

Major Stocks Yesterday	Open	High	Low	Close	Change
ASDA Group	102.00	102.50	101.50	102.00	+0.50
Asda Stores	102.00	102.50	101.50	102.00	+0.50
Asda Stores	102.00	102.50	101.50	102.00	+0.50

Major Stocks Yesterday	Open	High	Low	Close	Change
ASDA Group	102.00	102.50	101.50	102.00	+0.50
Asda Stores	102.00	102.50	101.50	102.00	+0.50
Asda Stores	102.00	102.50	101.50	102.00	+0.50

Major Stocks Yesterday	Open	High	Low	Close	Change
ASDA Group	102.00	102.50	101.50	102.00	+0.50
Asda Stores	102.00	102.50	101.50	102.00	+0.50
Asda Stores	102.00	102.50	101.50	102.00	+0.50

Major Stocks Yesterday	Open	High	Low	Close	Change
ASDA Group	102.00	102.50	101.50	102.00	+0.50
Asda Stores	102.00	102.50	101.50	102.00	+0.50
Asda Stores	102.00	102.50	101.50	102.00	+0.50

Major Stocks Yesterday	Open	High	Low	Close	Change
ASDA Group	102.00	102.50	101.50	102.00	+0.50
Asda Stores	102.00	102.50	101.50	102.00	+0.50
Asda Stores	102.00	102.50	101.50	102.00	+0.50

## FT JAPAN CLUB ANNUAL REPORT SERVICE

**HITACHI**

The corporate principal of Hitachi, Ltd., which was founded in 1910, is to contribute to society through technology. In the 87 years since its inception, the company has become one of the world's leading manufacturers of electrical and electronic equipment with fiscal 1995 consolidated sales of ¥8,124 billion, 666 consolidated subsidiaries, 233 of which are overseas companies, and more than 330,000 employees. Hitachi believes that corporate progress is driven by research and development. Annual expenditure of R&D amounts to over ¥490 billion, or about 6% of sales. Hitachi's main products are computers, semiconductors, telecommunication equipment, power generating equipment, industrial machinery and consumer products. Hitachi's shares are listed on eight stock exchanges in Japan and on exchanges in New York, Frankfurt, Amsterdam, Paris and Luxembourg.

**SHISEIDO**

Shiseido Company, Limited, one of the largest cosmetics companies in the world, manufactures and markets a broad range of distinctive beauty and health-care products, including makeup, skin-care products, toiletries, hair-care products, pharmaceuticals and foodstuffs. Shiseido products are available in almost 50 countries around the world. In Japan, the company also manages restaurants, fitness clubs and fashion boutiques. In fiscal 1996, Shiseido's consolidated net sales reached US\$5,608 million, resulting in net income of US\$1,757 million. Net income per share was US\$0.44 and cash dividends were declared at US\$0.13 per share of common stock, on par with fiscal 1995. For more information about Shiseido: <http://www.shiseido.co.jp/>

**TORAY INDUSTRIES, INC.**

Toray Industries, Inc., one of the world's largest manufacturers of synthetic fibres and textiles, is diversifying into plastics and chemicals, housing and engineering products, pharmaceuticals and medical products, and new products and other businesses, including carbon fibre and electronics and information-related products. In fiscal half-year ended September 30, 1996, consolidated net sales rose 10.3% to ¥301.2 billion over the year-earlier fiscal-half, operating income increased 35.9% to ¥32.6 billion and net income was up 51.9% to ¥11.9 billion. For more information, please visit our web site: <http://www.toray.co.jp>

**ENERGIA**

The Chugoku Electric Power Co., Inc. is one of Japan's 10 regional electric power utilities and maintains its head office in Hiroshima. The Company is a comprehensive supplier of electric power in the Chugoku region, with services encompassing generation, transmission, and distribution of electricity. Situated in western Japan, the Chugoku region has a population of approximately 8 million people and covers an area of about 32,000 square kilometers. While maintaining a total commitment to supplying superior services to its customers, Chugoku Electric will continue working as a responsible corporate citizen to promote regional industrial development as well as cultural, sporting, and other community-related events.

**FT JAPAN CLUB ANNUAL REPORT SERVICE**

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☐ Hitachi. Title: \_\_\_\_\_

☐ Shiseido Company Limited. Company: \_\_\_\_\_

☐ Toray Industries. Address: \_\_\_\_\_

Mail or Fax to: FT-Japan Club Annual Report Service  
PO Box 384, Sutton Surrey SM1 4XE United Kingdom (Fax: +44 (0)181 770 3822)

## FTSE Actuaries Share Indices

Day's	Mar 12	Mar 11	Mar 10	Mar 9	Mar 8	Mar 7	Mar 6	Mar 5	Mar 4	Mar 3	Mar 2	Mar 1	Mar 0	Mar -1	Mar -2	Mar -3	Mar -4	Mar -5	Mar -6	Mar -7	Mar -8	Mar -9	Mar -10	Mar -11	Mar -12	Mar -13	Mar -14	Mar -15	Mar -16	Mar -17	Mar -18	Mar -19	Mar -20	Mar -21	Mar -22	Mar -23	Mar -24	Mar -25	Mar -26	Mar -27	Mar -28	Mar -29	Mar -30	Mar -31	Mar -32	Mar -33	Mar -34	Mar -35	Mar -36	Mar -37	Mar -38	Mar -39	Mar -40	Mar -41	Mar -42	Mar -43	Mar -44	Mar -45	Mar -46	Mar -47	Mar -48	Mar -49	Mar -50	Mar -51	Mar -52	Mar -53	Mar -54	Mar -55	Mar -56	Mar -57	Mar -58	Mar -59	Mar -60	Mar -61	Mar -62	Mar -63	Mar -64	Mar -65	Mar -66	Mar -67	Mar -68	Mar -69	Mar -70	Mar -71	Mar -72	Mar -73	Mar -74	Mar -75	Mar -76	Mar -77	Mar -7
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Highs &amp; Lows shown on a 52 week basis

## WORLD STOCK MARKETS

## EUROPE

MAR 12/1997

LONDON (Mar 12/1997)

FTSE 100

3,450.00

+10.00

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3,460.00

3,430.00

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**NASDAQ NATIONAL MARKET**[illegible]

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